UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

T **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended July 3, 2011

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 001-34166

SunPower Corporation

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**94-3008969**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

77 Rio Robles, San Jose, California 95134
(Address of Principal Executive Offices and Zip Code)

(408) 240-5500
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes T No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes T No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No T

The total number of outstanding shares of the registrant's class A common stock as of August 5, 2011 was 57,974,366.
The total number of outstanding shares of the registrant's class B common stock as of August 5, 2011 was 42,033,287.

SunPower Corporation

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SunPower Corporation
Condensed Consolidated Balance Sheets
(In thousands, except share data)
(unaudited)

	July 3, 2011	January 2, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 245,790	$ 605,420
Restricted cash and cash equivalents, current portion	104,722	117,462
Short-term investments	—	38,720
Accounts receivable, net	395,991	381,200
Costs and estimated earnings in excess of billings	144,370	89,190
Inventories	412,614	313,398
Advances to suppliers, current portion	36,075	31,657
Project assets - plants and land, current portion	89,857	23,868
Prepaid expenses and other current assets (1)	207,252	192,934
Total current assets	1,636,671	1,793,849
Restricted cash and cash equivalents, net of current portion	120,885	138,837
Property, plant and equipment, net	592,659	578,620
Project assets - plants and land, net of current portion	25,773	22,238
Goodwill	346,509	345,270
Other intangible assets, net	52,902	66,788
Advances to suppliers, net of current portion	268,466	255,435
Other long-term assets (1)	285,067	178,294
Total assets	$ 3,328,932	$ 3,379,331
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable (1)	$ 413,554	$ 382,884
Accrued liabilities	194,121	137,704
Billings in excess of costs and estimated earnings	47,210	48,715
Short-term debt	108,623	198,010
Convertible debt, current portion	189,200	—
Customer advances, current portion (1)	20,194	21,044
Total current liabilities	972,902	788,357
Long-term debt	105,000	50,000
Convertible debt, net of current portion	416,367	591,923
Customer advances, net of current portion (1)	154,049	160,485
Other long-term liabilities	188,512	131,132
Total liabilities	1,836,830	1,721,897
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, 10,042,490 shares authorized, $0.001 par value; none issued and outstanding	—	—
Common stock, 217,500,000 shares of class A common stock authorized, $0.001 par value; 59,101,667 and 56,664,413 shares of class A common stock issued; 57,959,170 and 56,073,083 shares of class A common stock outstanding, as of July 3, 2011 and January 2, 2011, respectively; 150,000,000 shares of class B common stock authorized, $0.001 par value; 42,033,287 shares of class B common stock issued and outstanding as of both July 3, 2011 and January 2, 2011	100	98
Additional paid-in capital	1,635,157	1,606,697
Retained earnings (accumulated deficit)	(86,321)	63,672
Accumulated other comprehensive income (loss)	(30,765)	3,640
Treasury stock, at cost; 1,142,497 and 591,330 shares of class A common stock as of July 3, 2011 and January 2, 2011, respectively	(26,069)	(16,673)
Total stockholders' equity	1,492,102	1,657,434
Total liabilities and stockholders' equity	$ 3,328,932	$ 3,379,331

(1) The Company has related party balances in connection with transactions made with its joint ventures which are recorded within the "Prepaid expenses and other current assets," "Other long-term assets," "Accounts payable," "Customer advance, current portion" and "Customer advances, net of current portion" financial statement line items in the Condensed Consolidated Balance Sheets (see Note 8 and Note 9).

The accompanying notes are an integral part of these condensed consolidated financial statements.

SunPower Corporation
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(unaudited)

	Three Months Ended		Six Months Ended	
	July 3, 2011	July 4, 2010	July 3, 2011	July 4, 2010
Revenue:				
Utility and power plants	$ 302,439	$ 119,999	$ 548,348	$ 264,093
Residential and commercial	289,816	264,239	495,325	467,419
Total revenue	592,255	384,238	1,043,673	731,512
Cost of revenue:				
Utility and power plants	309,032	97,224	512,043	208,652
Residential and commercial	263,929	199,163	423,814	363,266
Total cost of revenue	572,961	296,387	935,857	571,918
Gross margin	19,294	87,851	107,816	159,594
Operating expenses:				
Research and development	15,255	11,206	28,901	21,613
Sales, general and administrative	90,856	78,376	167,035	142,656
Restructuring charges	13,308	—	13,308	—
Total operating expenses	119,419	89,582	209,244	164,269
Operating loss	(100,125)	(1,731)	(101,428)	(4,675)
Other income (expense), net:				
Interest income	488	279	1,231	552
Interest expense	(16,059)	(19,310)	(31,318)	(30,250)
Gain on change in equity interest in unconsolidated investee	322	28,348	322	28,348
Gain (loss) on mark-to-market derivatives	(97)	34,070	(141)	31,852
Other, net	(9,527)	(10,806)	(18,734)	(16,397)
Other income (expense), net	(24,873)	32,581	(48,640)	14,105
Income (loss) before income taxes and equity in earnings of unconsolidated investees	(124,998)	30,850	(150,068)	9,430
Provision for income taxes	(22,702)	(46,992)	(6,886)	(16,117)
Equity in earnings (loss) of unconsolidated investees	(172)	2,030	6,961	5,148
Loss from continuing operations	(147,872)	(14,112)	(149,993)	(1,539)
Income from discontinued operations, net of taxes	—	7,896	—	7,896
Net income (loss)	$ (147,872)	$ (6,216)	$ (149,993)	$ 6,357
Net income (loss) per share of class A and class B common stock:				
Net income (loss) per share - basic and diluted:				
Continuing operations	$ (1.51)	$ (0.15)	$ (1.55)	$ (0.01)
Discontinued operations	—	0.08	—	0.08
Net income (loss) per share	$ (1.51)	$ (0.07)	$ (1.55)	$ 0.07
Weighted-average shares:				
Basic and diluted	97,656	95,564	97,054	95,359

The accompanying notes are an integral part of these condensed consolidated financial statements.

SunPower Corporation
Condensed Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Six Months Ended	
	July 3, 2011	July 4, 2010
Cash flows from operating activities:		
Net income (loss)	$ (149,993)	$ 6,357
Less: Income from discontinued operations, net of taxes	—	7,896
Loss from continuing operations	(149,993)	(1,539)
Adjustments to reconcile loss from continuing operations to net cash used in operating activities of continuing operations		
Stock-based compensation	25,980	22,399
Depreciation	53,664	49,273
Amortization of other intangible assets	13,932	16,461
Loss (gain) on sale of investments	191	(1,572)
Loss (gain) on mark-to-market derivatives	141	(31,852)
Non-cash interest expense	14,332	15,768
Debt issuance costs	2,734	1,790
Amortization of promissory notes	3,352	2,919
Gain on change in equity interest in unconsolidated investee	(322)	(28,348)
Third-party inventories write-down	16,399	—
Project assets write-down	16,053	—
Equity in earnings of unconsolidated investees	(6,961)	(5,148)
Deferred income taxes and other tax liabilities	(2,084)	12,219
Changes in operating assets and liabilities, net of effect of acquisition:		
Accounts receivable	3,109	41,662
Costs and estimated earnings in excess of billings	(47,114)	(32,564)
Inventories	(102,997)	(72,248)
Project assets	(83,842)	(47,906)
Prepaid expenses and other assets	(9,328)	(107,315)
Advances to suppliers	(17,470)	3,757
Accounts payable and other accrued liabilities	(16)	120,782
Billings in excess of costs and estimated earnings	(2,480)	(5,288)
Customer advances	(7,812)	951
Net cash used in operating activities of continuing operations	(280,532)	(45,799)
Net cash provided by operating activities of discontinued operations	—	649
Net cash used in operating activities	(280,532)	(45,150)
Cash flows from investing activities:		
Decrease (increase) in restricted cash and cash equivalents	30,693	(8,253)
Purchase of property, plant and equipment	(68,164)	(100,292)
Proceeds from sale of equipment to third-party	499	2,875
Proceeds from sales or maturities of available-for-sale securities	43,759	1,572
Cash paid for acquisition, net of cash acquired	—	(272,699)
Cash paid for investments in joint ventures and other non-public companies	(50,000)	(1,618)
Net cash used in investing activities of continuing operations	(43,213)	(378,415)
Net cash used in investing activities of discontinued operations	—	(17,708)
Net cash used in investing activities	(43,213)	(396,123)
Cash flows from financing activities:		
Proceeds from issuance of bank loans, net of issuance costs	189,221	—
Proceeds from issuance of project loans, net of issuance costs	—	5,134
Proceeds from issuance of convertible debt, net of issuance costs	—	244,241
Repayment of bank loans	(226,136)	(30,000)
Cash paid for bond hedge	—	(75,200)
Proceeds from warrant transactions	—	61,450
Proceeds from exercise of stock options	3,926	346
Purchases of stock for tax withholding obligations on vested restricted stock	(9,396)	(1,977)
Net cash provided by (used in) financing activities of continuing operations	(42,385)	203,994
Net cash provided by financing activities of discontinued operations	—	17,059
Net cash provided by (used in) financing activities	(42,385)	221,053
Effect of exchange rate changes on cash and cash equivalents	6,500	(12,691)
Net decrease in cash and cash equivalents	(359,630)	(232,911)
Cash and cash equivalents at beginning of period	605,420	615,879
Cash and cash equivalents at end of period	245,790	382,968
Less: Cash and cash equivalents of discontinued operations	—	—
Cash and cash equivalents of continuing operations, end of period	$ 245,790	$ 382,968
Non-cash transactions:		
Property, plant and equipment acquisitions funded by liabilities	$ 6,494	$ 113,008
Non-cash interest expense capitalized and added to the cost of qualified assets	1,294	1,095

The accompanying notes are an integral part of these condensed consolidated financial statements.

SunPower Corporation
Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 1. ***THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The Company

SunPower Corporation (together with its subsidiaries, the "Company" or "SunPower") is a vertically integrated solar products and services company that designs, manufactures and delivers high-performance solar electric systems worldwide for residential, commercial and utility-scale power plant customers.

The Company's President and Chief Executive Officer, as the chief operating decision maker ("CODM"), has organized the Company and manages resource allocations and measures performance of the Company's activities between these two business segments: the Utility and Power Plants ("UPP") Segment and the Residential and Commercial ("R&C") Segment. The Company's UPP Segment refers to its large-scale solar products and systems business, which includes power plant project development and project sales, turn-key engineering, procurement and construction ("EPC") services for power plant construction, and power plant operations and maintenance ("O&M") services. The UPP Segment also sells components, including large volume sales of solar panels and mounting systems, to third parties, often on a multi-year, firm commitment basis. The Company's R&C Segment focuses on solar equipment sales into the residential and small commercial market through its third-party global dealer network, as well as direct sales and EPC and O&M services in the United States for rooftop and ground-mounted solar power systems for the new homes, commercial and public sectors.

On June 21, 2011, the Company became a majority owned subsidiary of Total Gas & Power USA, SAS, a French *société par actions simplifiée* ("Total"), a subsidiary of Total S.A., a French *société anonyme* ("Total S.A."), through a tender offer and Total's purchase of 60% of the outstanding class A common stock and class B common stock of the Company as of June 13, 2011 (see Note 2).

Basis of Presentation and Preparation

Principles of Consolidation

The accompanying condensed consolidated interim financial statements have been prepared under the rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting and include the accounts of the Company and all of its subsidiaries. Intercompany transactions and balances have been eliminated in consolidation. The year-end Condensed Consolidated Balance Sheet data was derived from audited financial statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2011 (the "fiscal 2010 Form 10-K").

Fiscal Years

The Company reports on a fiscal-year basis and ends its quarters on the Sunday closest to the end of the applicable calendar quarter, except in a 53-week fiscal year, in which case the additional week falls into the fourth quarter of that fiscal year. Both fiscal year 2011 and 2010 consist of 52 weeks. The second quarter of fiscal 2011 ended on July 3, 2011 and the second quarter of fiscal 2010 ended on July 4, 2010.

Management Estimates

The preparation of the condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates in these financial statements include percentage-of-completion for construction projects, allowances for doubtful accounts receivable and sales returns, inventory and project assets write-downs, stock-based compensation, estimates for future cash flows and economic useful lives of property, plant and equipment, goodwill, valuations for business combinations, other intangible assets and other long-term assets, asset impairments, fair value of financial instruments, certain accrued liabilities including accrued warranty, restructuring and termination of supply contracts reserves, valuation of debt without the conversion feature, valuation of share lending arrangements, income taxes and tax valuation allowances. Actual results could materially differ from those estimates.

In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, which the Company believes are necessary for a fair statement of the

Company's financial position as of July 3, 2011, its results of operations for the three and six months ended July 3, 2011 and July 4, 2010 and cash flows for the six months ended July 3, 2011 and July 4, 2010. These condensed consolidated financial statements are not necessarily indicative of the results to be expected for the entire year.

Summary of Significant Accounting Policies

These condensed consolidated financial statements and accompanying notes should be read in conjunction with the Company's annual consolidated financial statements and notes thereto contained in the fiscal 2010 Form 10-K.

There have been no significant changes in the Company's significant accounting policies for the three months ended July 3, 2011, as compared to the significant accounting policies described in the fiscal 2010 Form 10-K. Further, there has been no issued accounting guidance not yet adopted by the Company that it believes is material or potentially material to its condensed consolidated financial statements.

Note 2. *TRANSACTIONS WITH TOTAL*

On April 28, 2011, the Company and Total entered into a Tender Offer Agreement (the "Tender Offer Agreement"), pursuant to which, on May 3, 2011, Total commenced a cash tender offer to acquire up to 60% of the Company's outstanding shares of class A common stock and up to 60% of the Company's outstanding shares of class B common stock (the "Tender Offer") at a price of $23.25 per share for each class. The consummation of the Tender Offer was subject to customary closing conditions, including a minimum of 50% of the outstanding shares of each of the class A common stock and class B common stock being tendered, clearance by U.S. and European Union antitrust authorities, and other customary closing conditions. On May 9, 2011 the U.S. Federal Trade Commission granted the Company and Total S.A. early termination of the waiting period otherwise required for the parties to achieve U.S. antitrust approval.

The offer expired on June 14, 2011 and Total accepted for payment on June 21, 2011 a total of 34,756,682 shares of the Company's class A common stock and 25,220,000 shares of the Company's class B common stock, representing 60% of each class of its outstanding common stock as of June 13, 2011, for a total cost of approximately $1.4 billion. On June 28, 2011, the European Commission granted clearance for the Tender Offer transaction. As a result of the Commission clearance, Total is permitted to fully exercise voting and election rights over the purchased shares, as well as fully exercise its rights under the Credit Support Agreement, the Affiliation Agreement, and the Research & Collaboration Agreement described below.

Credit Support Agreement

In connection with the Tender Offer, the Company and Total S.A. entered into a Credit Support Agreement (the "Credit Support Agreement") under which Total S.A. has agreed to enter into one or more guarantee agreements (each a "Guaranty") with banks providing letter of credit facilities to the Company in support of certain Company businesses and other permitted purposes. Total S.A. will guarantee the payment to the applicable issuing bank of the Company's obligation to reimburse a draw on a letter of credit and pay interest thereon in accordance with the letter of credit facility between such bank and the Company. The Credit Support Agreement became effective on June 28, 2011, the date on which the European Commission granted anti-trust clearance (the "CSA Effective Date"). Under the Credit Support Agreement, at any time from the CSA Effective Date until the fifth anniversary of the CSA Effective Date, the Company may request that Total S.A. provide a Guaranty in support of the Company's payment obligations with respect to a letter of credit facility. Total S.A. is required to issue and enter into the Guaranty requested by the Company, subject to certain terms and conditions that may be waived by Total S.A., and subject to certain other conditions.

In consideration for the commitments of Total S.A., the Company is required to pay Total S.A. a guarantee fee for each letter of credit that is the subject of a Guaranty and was outstanding for all or part of the preceding calendar quarter.

The Company is also required to reimburse Total S.A. for payments made under any Guaranty and certain expenses of Total S.A., plus interest on both.

The Company has agreed to undertake certain actions, including, but not limited to, ensuring that the payment obligations of the Company to Total S.A. rank at least equal in right of payment with all of the Company's other present and future indebtedness, other than certain permitted secured indebtedness. The Company has also agreed to refrain from taking certain actions, including refraining from making any equity distributions so long as it has any outstanding repayment obligation to Total S.A. resulting from a draw on a guaranteed letter of credit.

The Credit Support Agreement will terminate following the fifth anniversary of the CSA Effective Date, after the later of

the payment in full of all obligations thereunder and the termination or expiration of each Guaranty provided thereunder.

Affiliation Agreement

In connection with the Tender Offer, the Company and Total entered into an Affiliation Agreement that governs the relationship between Total and the Company following the close of the Tender Offer (the "Affiliation Agreement"). Until the expiration of a standstill period (the "Standstill Period"), Total, Total S.A., any of their respective affiliates and certain other related parties (the "Total Group") may not effect, seek, or enter into discussions with any third party regarding any transaction that would result in the Total Group beneficially owning shares of the Company in excess of certain thresholds, or request the Company or the Company's independent directors, officers or employees, to amend or waive any of the standstill restrictions applicable to the Total Group.

The Affiliation Agreement imposes certain limitations on the Total Group's ability to seek to effect a tender offer or merger to acquire 100% of the outstanding voting power of the Company and imposes certain limitations on the Total Group's ability to transfer 40% or more of outstanding shares or voting power of the Company to a single person or group that is not a direct or indirect subsidiary of Total S.A.. During the Standstill Period, no member of the Total Group may, among other things, solicit proxies or become a participant in an election contest relating to the election of directors to the Company's Board of Directors.

The Affiliation Agreement provides Total with the right to maintain its percentage ownership in connection with any new securities issued by the Company, and Total may also purchase shares on the open market or in private transactions with disinterested stockholders, subject in each case to certain restrictions.

In accordance with the terms of the Affiliation Agreement, on July 1, 2011, the Company's Board of Directors expanded the size of the Board of Directors to eleven members and elected six nominees from Total as directors, following which the Board of Directors was composed of the Chief Executive Officer of the Company (who also serves as the chairman of the Company's Board of Directors), four current members of the Company's Board of Directors, and six directors designated by Total. Directors designated by Total will also serve on certain committees of the Company's Board of Directors. On the first anniversary of the consummation of the Tender Offer, the size of the Company's Board of Directors will be reduced to nine members and one non-Total designated director and one director designated by Total will resign from the Company's Board of Directors. If the Total Group's ownership percentage of Company common stock declines, the number of members of the Company's Board of Directors that Total is entitled to nominate to the Company's Board of Directors will be reduced as set forth in the Affiliation Agreement.

The Affiliation Agreement also imposes certain restrictions with respect to the Company's and the Company's Board of Directors' ability to take certain actions, including specifying certain actions that require approval by the directors other than the directors appointed by Total and other actions that require stockholder approval by Total.

Affiliation Agreement Guaranty

Total S.A. has entered into a guaranty (the "Affiliation Agreement Guaranty") pursuant to which Total S.A. unconditionally guarantees the full and prompt payment of Total S.A.'s, Total's and each of Total S.A.'s direct and indirect subsidiaries' payment obligations under the Affiliation Agreement and the full and prompt performance of Total S.A.'s, Total's and each of Total S.A.'s direct and indirect subsidiaries' representations, warranties, covenants, duties and agreements contained in the Affiliation Agreement.

Research & Collaboration Agreement

In connection with the Tender Offer, Total and the Company have entered into a Research & Collaboration Agreement (the "R&D Agreement") that establishes a framework under which they may engage in long-term research and development collaboration ("R&D Collaboration"). The R&D Collaboration is expected to encompass a number of different projects ("R&D Projects"), with a focus on advancing technology in the area of photovoltaics. The primary purpose of the R&D Collaboration is to: (i) maintain and expand the Company's technology position in the crystalline silicon domain; (ii) ensure the Company's industrial competitiveness; and (iii) guarantee a sustainable position for both the Company and Total to be best-in-class industry players.

The R&D Agreement contemplates a joint committee (the "R&D Strategic Committee") that will identify, plan and manage the R&D Collaboration. Due to the impracticability of anticipating and establishing all of the legal and business terms that will be applicable to the R&D Collaboration or to each R&D Project, the R&D Agreement sets forth broad principles

applicable to the parties' potential R&D Collaboration, and Total and the Company expect that the R&D Strategic Committee will establish the particular terms governing each particular R&D Project consistent with the terms set forth in the R&D Agreement.

Registration Rights Agreement

In connection with the Tender Offer, Total and the Company entered into a customary registration rights agreement (the “Registration Rights Agreement”) related to Total's ownership of Company shares. The Registration Rights Agreement provides Total with shelf registration rights, subject to certain customary exceptions, and up to two demand registration rights in any 12-month period, also subject to certain customary exceptions. Total also has certain rights to participate in any registrations of securities initiated by the Company. The Company will generally pay all costs and expenses incurred by the Company and Total in connection with any shelf or demand registration (other than selling expenses incurred by Total). The Company and Total have also agreed to certain indemnification rights. The Registration Rights Agreement terminates on the first date on which: (i) the shares held by Total constitute less than 5% of the then-outstanding common stock; (ii) all securities held by Total may be immediately resold pursuant to Rule 144 promulgated under the Securities and Exchange Act of 1934 (the "Exchange Act") during any 90-day period without any volume limitation or other restriction; or (iii) the Company ceases to be subject to the reporting requirements of the Exchange Act.

Stockholder Rights Plan

On April 28, 2011, prior to the execution of the Tender Offer Agreement, the Company entered into an amendment (the “Rights Agreement Amendment”) to the Rights Agreement, dated August 12, 2008, by and between the Company and Computershare Trust Company, N.A., as Rights Agent (the “Rights Agreement”), in order to, among other things, render the rights therein inapplicable to each of: (i) the approval, execution or delivery of the Tender Offer Agreement; (ii) the commencement or consummation of the Tender Offer; (iii) the consummation of the other transactions contemplated by the Tender Offer Agreement and the related agreements; and (iv) the public or other announcement of any of the foregoing.

On June 14, 2011, the Company entered into a second amendment to the Rights Agreement (the “Second Rights Agreement Amendment”), in order to, among other things, exempt Total, Total S.A. and certain of their affiliates and certain members of a group of which they may become members from the definition of “Acquiring Person” such that the rights issuable pursuant to the Rights Agreement will not become issuable in connection with the completion of the Tender Offer.

By-laws Amendment

On June 14, 2011, the Board of Directors approved the amendment of the Company's By-laws (the “By-laws”). The changes are required under the Affiliation Agreement. The amendments: (i) allow any member of the Total Group to call a meeting of stockholders for the sole purpose of considering and voting on a proposal to effect a Terra Merger (as defined in the Affiliation Agreement) or a Transferee Merger (as defined in the Affiliation Agreement); (ii) provide that the number of directors of the Board shall be determined from time to time by resolution adopted by the affirmative vote of a majority of the entire Board at any regular or special meeting; (iii) require, prior to the termination of the Affiliation Agreement, a majority of independent directors' approval to amend the By-laws so long as Total, together with Total S.A.'s subsidiaries collectively own at least 30% of the voting securities of the Company as well as require, prior to the termination of the Affiliation Agreement, Total's written consent during the Terra Stockholder Approval Period (as defined in the Affiliation Agreement) to amend the By-laws; and (iv) make certain other conforming changes to the By-laws.

The Tender Offer Agreement, Tender Offer Agreement Guaranty, Credit Support Agreement, Affiliation Agreement, Affiliation Agreement Guaranty, Research and Collaboration Agreement, Registration Rights Agreement, Rights Agreement Amendment, Second Rights Agreement Amendment and By-laws are attached to, and more fully described in, the Company's Form 8-Ks as filed with the SEC on May 2, 2011, June 7, 2011, and June 15, 2011.

Note 3. ***SALE OF DISCONTINUED OPERATIONS***

In connection with a strategic acquisition on March 26, 2010, the Company acquired a European project company, Cassiopea PV S.r.l (“Cassiopea”), which operated a previously completed 20 megawatt alternating current ("MWac") solar power plant in Montalto di Castro, Italy. In the period in which an asset of the Company is classified as held-for-sale, it is required to present for all periods the related assets, liabilities and results of operations associated with that asset as discontinued operations. Cassiopea's results of operations in fiscal 2010 were classified as “Income from discontinued operations, net of taxes” in the Condensed Consolidated Statement of Operations. On August 5, 2010, the Company sold the

assets and liabilities of Cassiopea.

In both the three and six months ended July 4, 2010, results of operations related to Cassiopea were as follows:

(In thousands)	July 4, 2010
Utility and power plants revenue	$ 7,905
Gross margin	7,905
Income from discontinued operations before sale of business unit	11,510
Gain on sale of business unit	—
Income before income taxes	11,510
Income from discontinued operations, net of taxes	7,896

Note 4. *GOODWILL AND OTHER INTANGIBLE ASSETS*

Goodwill

The following table presents the changes in the carrying amount of goodwill under the Company's reportable business segments:

(In thousands)	UPP	R&C	Total
As of January 2, 2011	226,350	118,920	345,270
Translation adjustment	—	1,239	1,239
As of July 3, 2011	$ 226,350	$ 120,159	$ 346,509

Intangible Assets

The following tables present details of the Company's acquired other intangible assets:

(In thousands)	Gross	Accumulated Amortization	Net
As of July 3, 2011			
Project assets	$ 79,160	$ (33,643)	$ 45,517
Patents, trade names and purchased technology	50,320	(50,001)	319
Purchased in-process research and development	1,000	(111)	889
Customer relationships and other	28,717	(22,540)	6,177
	$ 159,197	$ (106,295)	$ 52,902
As of January 2, 2011			
Project assets	$ 79,160	$ (22,627)	$ 56,533
Patents, trade names and purchased technology	55,144	(54,563)	581
Purchased in-process research and development	1,000	(28)	972
Customer relationships and other	40,525	(31,823)	8,702
	$ 175,829	$ (109,041)	$ 66,788

All of the Company's acquired other intangible assets are subject to amortization. Aggregate amortization expense for other intangible assets totaled $6.9 million and $13.9 million in the three and six months ended July 3, 2011, respectively, and $11.7 million and $16.5 million in the three and six months ended July 4, 2010, respectively. As of July 3, 2011, the estimated future amortization expense related to other intangible assets is as follows:

(In thousands)	Amount
Year	
2011 (remaining six months)	$ 13,273
2012	22,721
2013	16,331
2014	252
2015	186
Thereafter	139
	$ 52,902

Note 5. ***BALANCE SHEET COMPONENTS***

(In thousands)	As of July 3, 2011	As of January 2, 2011
Accounts receivable, net:		
Accounts receivable, gross	$ 410,705	$ 389,554
Less: allowance for doubtful accounts	(12,403)	(5,967)
Less: allowance for sales returns	(2,311)	(2,387)
	$ 395,991	$ 381,200
Inventories:		
Raw materials	$ 78,612	$ 70,683
Work-in-process	59,731	35,658
Finished goods	274,271	207,057
	$ 412,614	$ 313,398
Prepaid expenses and other current assets:		
VAT receivables, current portion	$ 52,741	$ 26,500
Short-term deferred tax assets	1,224	3,605
Foreign currency derivatives	13,853	35,954
Income tax receivable	5,912	1,513
Deferred project costs	804	934
Note receivable	10,000	10,000
Other receivables (1)	90,613	83,712
Other prepaid expenses	32,105	30,716
	$ 207,252	$ 192,934

(1) Includes tolling agreements with suppliers in which the Company provides polysilicon required for silicon ingot manufacturing and procures the manufactured silicon ingots from the suppliers (see Notes 8 and 9).

Project assets - plants and land:		
Project assets - plants	$ 83,199	$ 28,784
Project assets - land	32,431	17,322
	$ 115,630	$ 46,106
Project assets - plants and land, current portion	$ 89,857	$ 23,868
Project assets - plants and land, net of current portion	25,773	22,238
Property, plant and equipment, net:		
Land and buildings	$ 13,912	$ 13,912
Leasehold improvements	236,607	207,248
Manufacturing equipment (2)	578,015	551,815
Computer equipment	49,628	46,603
Solar power systems	11,307	10,614
Furniture and fixtures	5,766	5,555
Construction-in-process	35,189	28,308
	930,424	864,055
Less: accumulated depreciation (3)	(337,765)	(285,435)
	$ 592,659	$ 578,620

(2) Certain manufacturing equipment associated with solar cell manufacturing lines located at one of the Company's facilities in the Philippines is collateralized in favor of a third-party lender. The Company provided security for advance payments received from a third party in fiscal 2008 totaling $40.0 million in the form of collateralized manufacturing equipment with a net book value of $24.5 million and $28.3 million as of July 3, 2011 and January 2, 2011, respectively.

(3) Total depreciation expense was $28.0 million and $53.7 million for the three and six months ended July 3, 2011, respectively, and $24.6 million and $49.3 million for the three and six months ended July 4, 2010, respectively.

	As of	
(In thousands)	**July 3, 2011**	**January 2, 2011**
Property, plant and equipment, net by geography (4):		
Philippines	$ 484,065	$ 502,131
United States	103,342	73,860
Europe	5,026	2,400
Australia	226	229
	$ 592,659	$ 578,620

(4) Property, plant and equipment, net are based on the physical location of the assets.

	Three Months Ended		Six Months Ended	
(In thousands)	**July 3, 2011**	**July 4, 2010**	**July 3, 2011**	**July 4, 2010**
Interest expense:				
Interest cost incurred	$ (17,652)	$ (20,246)	$ (34,103)	$ (32,117)
Cash interest cost capitalized - property, plant and equipment	555	376	885	772
Non-cash interest cost capitalized - property, plant and equipment	472	560	721	1,095
Cash interest cost capitalized - project assets - plant and land	242	—	606	—
Non-cash interest cost capitalized - project assets - plant and land	324	—	573	—
Interest expense	$ (16,059)	$ (19,310)	$ (31,318)	$ (30,250)

	As of	
(In thousands)	**July 3, 2011**	**January 2, 2011**
Other long-term assets:		
Investments in joint ventures	$ 173,724	$ 116,444
Bond hedge derivative	65,964	34,491
Investments in non-public companies	6,418	6,418
VAT receivables, net of current portion	6,750	7,002
Long-term debt issuance costs	10,938	12,241
Other	21,273	1,698
	$ 285,067	$ 178,294

(In thousands)	As of July 3, 2011	As of January 2, 2011
Accrued liabilities:		
VAT payables	$ 13,756	$ 11,699
Foreign currency derivatives	49,197	10,264
Short-term warranty reserves	12,910	14,639
Interest payable	6,839	6,982
Deferred revenue	27,380	21,972
Employee compensation and employee benefits	26,034	33,227
Restructuring liability	11,039	—
Other	46,966	38,921
	$ 194,121	$ 137,704
Other long-term liabilities:		
Embedded conversion option derivatives	$ 66,453	$ 34,839
Long-term warranty reserves	66,351	48,923
Unrecognized tax benefits	26,958	24,894
Other	28,750	22,476
	$ 188,512	$ 131,132

Note 6. ***INVESTMENTS***

The Company's investments in money market funds and debt securities are carried at fair value. Fair values are determined based on a hierarchy that prioritizes the inputs to valuation techniques by assigning the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities ("Level 1") and the lowest priority to unobservable inputs ("Level 3"). Level 2 measurements are inputs that are observable for assets or liabilities, either directly or indirectly, other than quoted prices included within Level 1.

The following tables present information about the Company's investments in money market funds and debt securities that are measured at fair value on a recurring basis and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value. Information about the Company's convertible debenture derivatives measured at fair value on a recurring basis is disclosed in Note 10. Information about the Company's foreign currency derivatives measured at fair value on a recurring basis is disclosed in Note 12. The Company does not have any nonfinancial assets or liabilities that are recognized or disclosed at fair value on a recurring basis in its condensed consolidated financial statements.

	July 3, 2011				January 2, 2011			
(In thousands)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Money market funds	$ 358,277	$ —	$ —	$ 358,277	$ 488,626	$ —	$ 172	$ 488,798
Debt securities	—	—	—	—	—	38,548	—	38,548
	$ 358,277	$ —	$ —	$ 358,277	$ 488,626	$ 38,548	$ 172	$ 527,346

There have been no transfers between Level 1, Level 2 and Level 3 measurements during the three or six months ended July 3, 2011.

Money Market Funds

The majority of the Company's money market fund instruments are classified within Level 1 of the fair value hierarchy because they are valued using quoted prices for identical instruments in active markets. Investments in money market funds utilizing Level 3 inputs consisted of the Company's investment in the Reserve International Liquidity Fund which amounted to $0.2 million as of January 2, 2011. The Company had estimated the value of its investment in the Reserve International Liquidity Fund to be $0.2 million based on information publicly disclosed by the Reserve International Liquidity Fund relative to its holdings and remaining obligations. On March 3, 2011, the Company recovered $0.3 million from the Reserve

International Liquidity Fund. The recovery was $0.1 million in excess of the recorded fair value and was reflected as a gain within "Other, net" in the Condensed Consolidated Statement of Operations for the six months ended July 3, 2011. The Company had no remaining investments with Level 3 measurements as of July 3, 2011.

Debt Securities

Investments in debt securities utilizing Level 2 inputs as of January 2, 2011 consist of bonds purchased in the fourth quarter of fiscal 2010. The bonds are guaranteed by the Italian government. The Company based its valuation of these bonds on movements of Italian sovereign bond rates since the time of purchase and incurred no other-than-temporary impairment loss in the three and six months ended July 3, 2011. This valuation is corroborated by comparison to third-party financial institution valuations.

The fair value of the Company's investments in bonds totaled €29.5 million as of January 2, 2011. On May 23, 2011, the bonds were sold for net proceeds of €29.3 million which was €0.2 million below the recorded fair value of €29.5 million on the sale date. The €0.2 million difference was reflected as a loss within "Other, net" in the Condensed Consolidated Statement of Operations for the three and six months ended July 3, 2011. The Company had no remaining investments in debt securities as of July 3, 2011.

Available-for-Sale Securities

Available-for-sale securities are comprised of the fair value of the Company's debt securities, including any other-than temporary impairment loss incurred. The classification of available-for-sale securities and cash and cash equivalents is as follows:

	July 3, 2011			January 2, 2011		
(In thousands)	**Available-For-Sale**	**Cash and Cash Equivalents (2)**	**Total**	**Available-For-Sale**	**Cash and Cash Equivalents (2)**	**Total**
Cash and cash equivalents	$ —	$ 245,790	$ 245,790	$ —	$ 605,420	$ 605,420
Short-term restricted cash and cash equivalents (1)	—	104,722	104,722	—	117,462	117,462
Short-term investments	—	—	—	38,548	172	38,720
Long-term restricted cash and cash equivalents (1)	—	120,885	120,885	—	138,837	138,837
	$ —	$ 471,397	$ 471,397	$ 38,548	$ 861,891	$ 900,439

(1) Details regarding the Company's cash in restricted accounts are contained in the Company's annual consolidated financial statements and notes thereto for the year ended January 2, 2011 included in the fiscal 2010 Form 10-K.

(2) Includes money market funds.

Minority Investments in Joint Ventures and Other Non-Public Companies

The Company holds minority investments comprised of common and preferred stock in joint ventures and other non-public companies. The Company monitors these minority investments for impairment, which are included in “Other long-term assets” in its Condensed Consolidated Balance Sheets and records reductions in the carrying values when necessary. Circumstances that indicate an other-than-temporary decline include the valuation ascribed to the issuing company in subsequent financing rounds, decreases in quoted market prices and declines in operations of the issuer. As of July 3, 2011 and January 2, 2011, the Company had $173.7 million and $116.4 million, respectively, in investments in joint ventures accounted for under the equity method and $6.4 million, as of both periods, in investments accounted for under the cost method (see Note 9).

Note 7. *RESTRUCTURING*

In response to reductions in European government incentives, primarily in Italy, which have had a significant impact on the global solar market, on June 13, 2011, the Company's Board of Directors approved a restructuring plan to realign the

Company's resources. In connection with this plan, which is expected to be completed within the next 12 months, the Company expects to eliminate approximately 85 positions, 2% of the Company's workforce, in addition to the expected consolidation or closure of certain facilities in Europe. As a result, the Company expects to record restructuring charges of up to $22.0 million related to the UPP Segment, composed of severance benefits, lease and related termination costs, and other associated costs. The Company expects greater than 90% of these charges to be cash.

Restructuring charges recognized during both the three and six months ended July 3, 2011 in the Condensed Consolidated Statements of Operations consisted of $12.3 million of employee severance, benefits and accelerated vesting of promissory notes, $0.7 million of lease and related termination costs, and $0.3 million of legal and other related charges.

As of July 3, 2011, $11.0 million associated with the restructuring was recorded in "Accrued liabilities" on the Company's Condensed Consolidated Balance Sheet. The following table summarizes the restructuring reserve activity during the six months ended July 3, 2011:

(In thousands)	Severance Benefits (1)	Lease and Related Termination Costs	Other Costs (2)	Total
Accrued liability as of January 2, 2011	$ —	$ —	$ —	$ —
Charges	10,911	713	320	11,944
Payments	(905)	—	—	(905)
Accrued liability as of July 3, 2011	$ 10,006	$ 713	$ 320	$ 11,039

(1) Restructuring reserve charges above exclude $1.4 million of accrued compensation associated with the accelerated vesting of promissory notes, in accordance with the terms of each agreement, previously issued as consideration for an acquisition completed in the first quarter of fiscal 2010. The $1.4 million is separately recorded in "Accrued liabilities" on the Company's Condensed Consolidated Balance Sheet as of July 3, 2011, and in "Restructuring charges" on its Condensed Consolidated Statement of Operations for the three and six months ended July 3, 2011.

(2) Other costs primarily represent associated legal services.

Note 8. *COMMITMENTS AND CONTINGENCIES*

Operating Lease Commitments

The Company leased its San Jose, California facility under a non-cancellable operating lease from Cypress Semiconductor Corporation ("Cypress") which expired in May 2011. In May 2011 the Company moved to new offices in San Jose, California under a non-cancellable operating lease from an unaffiliated third party through April 2021. In addition, the Company leases its Richmond, California facility under a non-cancellable operating lease from an unaffiliated third party, which expires in December 2018. The Company also has various lease arrangements, including for its European headquarters located in Geneva, Switzerland under a lease that expires in September 2012, as well as sales and support offices in Southern California, New Jersey, Oregon, Australia, England, France, Germany, Greece, Israel, Italy, Malta, Spain and South Korea, all of which are leased from unaffiliated third parties. In addition, in the first quarter of fiscal 2010 the Company acquired a lease arrangement in London, England, which was leased from a party affiliated with the Company which expired on August 7, 2011.

In fiscal 2009, the Company signed a commercial project financing agreement with Wells Fargo to fund up to $100 million of commercial-scale solar power system projects through December 31, 2010. On July 16, 2011, the Company and Wells Fargo amended the agreement to extend through June 30, 2012. As of July 3, 2011, the Company leases six solar power systems from Wells Fargo over minimum lease terms of up to 20 years that it had previously sold to Wells Fargo, of which two of these sales occurred during the second quarter of fiscal 2011. Separately, the Company entered into power purchase agreements ("PPAs") with end customers, who host the leased solar power systems and buy the electricity directly from the Company under PPAs with a duration of up to 20 years. At the end of the lease term, the Company has the option to purchase the systems at fair value or remove the systems. The deferred profit on the sale of the systems to Wells Fargo is recognized over the minimum term of the lease.

Future minimum obligations under all non-cancellable operating leases as of July 3, 2011 are as follows:

(In thousands)	Amount
Year	
2011 (remaining six months)	$ 7,435
2012	12,483
2013	12,255
2014	10,921
2015	9,490
Thereafter	46,380
	$ 98,964

Purchase Commitments

The Company purchases raw materials for inventory and manufacturing equipment from a variety of vendors. During the normal course of business, in order to manage manufacturing lead times and help assure adequate supply, the Company enters into agreements with contract manufacturers and suppliers that either allow them to procure goods and services based on specifications defined by the Company, or that establish parameters defining the Company's requirements. In certain instances, these agreements allow the Company the option to cancel, reschedule or adjust the Company's requirements based on its business needs prior to firm orders being placed. Consequently, only a portion of the Company's disclosed purchase commitments arising from these agreements are firm, non-cancellable and unconditional commitments.

The Company also has agreements with several suppliers, including some of its non-consolidated joint ventures, for the procurement of polysilicon, ingots, wafers, solar cells and solar panels which specify future quantities and pricing of products to be supplied by the vendors for periods up to 10 years and provide for certain consequences, such as forfeiture of advanced deposits and liquidated damages relating to previous purchases, in the event that the Company terminates the arrangements. Where pricing is specified for future periods, in some contracts, the Company may reduce its purchase commitment under the contract if the Company obtains a bona fide third party offer at a price that is a certain percentage lower than the applicable purchase price in the existing contract. If market prices decrease, the Company intends to use such provisions to either move its purchasing to another supplier or to force the initial supplier to reduce its price to remain competitive with market pricing.

As of July 3, 2011, total obligations related to non-cancellable purchase orders totaled $200.2 million and long-term supply agreements with suppliers totaled $5.3 billion. Of the total future purchase commitments of $5.5 billion as of July 3, 2011, $2.3 billion are for commitments to its non-consolidated joint ventures. Future purchase obligations under non-cancellable purchase orders and long-term supply agreements as of July 3, 2011 are as follows:

(In thousands)	Amount
Year	
2011 (remaining six months)	$ 792,736
2012	655,195
2013	653,957
2014	846,983
2015	881,985
Thereafter	1,655,721
	$ 5,486,577

Total future purchase commitments of $5.5 billion as of July 3, 2011 included tolling agreements with suppliers in which the Company provides polysilicon required for silicon ingot manufacturing and procures the manufactured silicon ingots from the supplier. Annual future purchase commitments in the table above are calculated using the gross price paid by the Company for silicon ingots and are not reduced by the price paid by suppliers for polysilicon. Total future purchase commitments as of July 3, 2011 would be reduced by $1.3 billion to $4.2 billion had the Company's obligations under such tolling agreements been disclosed using net cash outflows.

The Company expects that all obligations related to non-cancellable purchase orders for manufacturing equipment will be recovered through future cash flows of the solar cell manufacturing lines and solar panel assembly lines when such long-lived assets are placed in service. Factors considered important that could result in an impairment review include significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of use

of acquired assets and significant negative industry or economic trends. Total obligations related to non-cancellable purchase orders for inventories match current and forecasted sales orders that will consume these ordered materials and actual consumption of these ordered materials are compared to expected demand regularly. The Company anticipates total obligations related to long-term supply agreements for inventories will be recovered because quantities are less than management's expected demand for its solar power products. However, the terms of the long-term supply agreements are reviewed by management and the Company establishes accruals for estimated losses on adverse purchase commitments as necessary, such as lower of cost or market value adjustments, forfeiture of advanced deposits and liquidated damages. Such accruals will be recorded when the Company determines the cost of purchasing the components is higher than the estimated current market value or when it believes it is probable such components will not be utilized in future operations. In the second quarter of fiscal 2011, the Company recorded charges of $32.5 million related to the write-down of third-party inventory and costs associated with the termination of third-party solar cell supply contracts after reductions in European government incentives have driven down demand and average selling price in certain areas of Europe.

Advances to Suppliers

As noted above, the Company has entered into agreements with various polysilicon, ingot, wafer, solar cell and solar panel vendors that specify future quantities and pricing of products to be supplied by the vendors for periods up to 10 years. Certain agreements also provide for penalties or forfeiture of advanced deposits in the event the Company terminates the arrangements. Under certain agreements, the Company is required to make prepayments to the vendors over the terms of the arrangements. During the six months ended July 3, 2011, the Company paid advances totaling $26.9 million in accordance with the terms of existing long-term supply agreements. As of July 3, 2011 and January 2, 2011, advances to suppliers totaled $304.5 million and $287.1 million, respectively, the current portion of which is $36.1 million and $31.7 million, respectively. Two suppliers accounted for 76% and 22% of total advances to suppliers as of July 3, 2011, and 83% and 13% as of January 2, 2011.

The Company's future prepayment obligations related to these agreements as of July 3, 2011 are as follows:

(In thousands)	**Amount**
Year	
2011 (remaining six months)	$ 111,186
2012	105,281
2013	7,934
	$ 224,401

In January 2008, the Company entered into an Option Agreement with NorSun AS ("NorSun"), a manufacturer of silicon ingots and wafers, under which the Company would deliver cash advance payments to NorSun for the purchase of polysilicon under a long-term polysilicon supply agreement. The Company paid a cash advance of $5.0 million to NorSun during the fourth quarter of fiscal 2009. The Option Agreement provided NorSun an option to sell a 23.3% equity interest in a joint venture to the Company at a price equal to the $5.0 million cash advance. On December 3, 2010, NorSun entered into an agreement with a third party to sell its equity interest in the joint venture at cost, including the Company's indirect equity interest of 23.3% at $5.0 million. That agreement became effective in the first quarter of fiscal 2011 and accordingly the Option Agreement was terminated. In connection with the termination of the Option Agreement, on March 31, 2011, the $5.0 million cash advance was returned to the Company.

Product Warranties

The Company generally warrants or guarantees the performance of the solar panels that it manufactures at certain levels of power output for 25 years. In addition, the Company passes through to customers long-term warranties from the original equipment manufacturers ("OEM") of certain system components, such as inverters. Warranties of 25 years from solar panels suppliers are standard in the solar industry, while inverters typically carry warranty periods ranging from 5 to 10 years. In addition, the Company generally warrants its workmanship on installed systems for periods ranging up to 10 years. The Company maintains reserves to cover the expected costs that could result from these warranties. The Company's expected costs are generally in the form of product replacement or repair. Warranty reserves are based on the Company's best estimate of such costs and are recognized as a cost of revenue. The Company continuously monitors product returns for warranty failures and maintains a reserve for the related warranty expenses based on various factors including historical warranty claims, results of accelerated lab testing, field monitoring, vendor reliability estimates, and data on industry averages for similar products. Historically, warranty costs have been within management's expectations.

Provisions for warranty reserves charged to cost of revenue were $10.6 million and $18.4 million in the three and six

months ended July 3, 2011, respectively, and $4.6 million and $9.7 million during the three and six months ended July 4, 2010, respectively. Activity within accrued warranty for the three and six months ended July 3, 2011 and July 4, 2010 is summarized as follows:

	Three Months Ended		Six Months Ended	
(In thousands)	**July 3, 2011**	**July 4, 2010**	**July 3, 2011**	**July 4, 2010**
Balance at the beginning of the period	$ 70,119	$ 49,424	$ 63,562	$ 46,475
Accruals for warranties issued during the period	10,629	4,646	18,368	9,705
Settlements made during the period	(1,487)	(2,079)	(2,669)	(4,189)
Balance at the end of the period	$ 79,261	$ 51,991	$ 79,261	$ 51,991

Contingent Obligations

Projects often require the Company to undertake customer obligations including: (i) system output performance guarantees; (ii) system maintenance; (iii) penalty payments or customer termination rights if the system the Company is constructing is not commissioned within specified timeframes or other milestones are not achieved; (iv) guarantees of certain minimum residual value of the system at specified future dates; and (v) system put-rights whereby the Company could be required to buy-back a customer's system at fair value on specified future dates if certain minimum performance thresholds are not met. To date, no such repurchase obligations have been required.

Future Financing Commitments

As specified in the Company's joint venture agreement with AU Optronics Singapore Pte. Ltd. ("AUO"), both the Company and AUO contributed certain funding to the joint venture during fiscal 2010 and the first half of fiscal 2011. The Company and AUO will each contribute additional amounts to the joint venture in the second half of fiscal 2011 through 2014 amounting to $271.0 million, or such lesser amount as the parties may mutually agree. In addition, if the Company, AUO, or the joint venture requests additional equity financing to the joint venture, then both the Company and AUO will be required to make additional cash contributions of up to $50.0 million in the aggregate.

On September 28, 2010, the Company invested $0.2 million in a non-public company accounted for under the cost method. The Company will be required to provide additional financing of up to $4.9 million, subject to certain conditions.

The Company's future financing obligations related to these agreements as of July 3, 2011 are as follows:

(In thousands)	**Amount**
Year	
2011 (remaining six months)	$ 1,900
2012	75,870
2013	101,400
2014	96,770
	$ 275,940

Liabilities Associated with Uncertain Tax Positions

Total liabilities associated with uncertain tax positions were $27.0 million and $24.9 million as of July 3, 2011 and January 2, 2011, respectively, and are included in "Other long-term liabilities" in the Company's Condensed Consolidated Balance Sheets as they are not expected to be paid within the next twelve months. Due to the complexity and uncertainty associated with its tax positions, the Company cannot make a reasonably reliable estimate of the period in which cash settlement will be made for its liabilities associated with uncertain tax positions in other long-term liabilities (see Note 13).

Indemnifications

The Company is a party to a variety of agreements under which it may be obligated to indemnify the other party with respect to certain matters. Typically, these obligations arise in connection with contracts and license agreements or the sale of assets, under which the Company customarily agrees to hold the other party harmless against losses arising from a breach of warranties, representations and covenants related to such matters as title to assets sold, negligent acts, damage to property,

validity of certain intellectual property rights, non-infringement of third-party rights and certain tax related matters. In each of these circumstances, payment by the Company is typically subject to the other party making a claim to the Company under the procedures specified in the particular contract. These procedures usually allow the Company to challenge the other party's claims or, in case of breach of intellectual property representations or covenants, to control the defense or settlement of any third party claims brought against the other party. Further, the Company's obligations under these agreements may be limited in terms of activity (typically to replace or correct the products or terminate the agreement with a refund to the other party), duration and/or amounts. In some instances, the Company may have recourse against third parties and/or insurance covering certain payments made by the Company.

Legal Matters

Three securities class action lawsuits were filed against the Company and certain of its current and former officers and directors in the United States District Court for the Northern District of California on behalf of a class consisting of those who acquired the Company's securities from April 17, 2008 through November 16, 2009. The cases were consolidated as In re SunPower Securities Litigation, Case No. CV-09-5473-RS (N.D. Cal.), and lead plaintiffs and lead counsel were appointed on March 5, 2010. Lead plaintiffs filed a consolidated complaint on May 28, 2010. The actions arise from the Audit Committee's investigation announcement on November 16, 2009 regarding certain unsubstantiated accounting entries. The consolidated complaint alleges that the defendants made material misstatements and omissions concerning the Company's financial results for 2008 and 2009, seeks an unspecified amount of damages, and alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Sections 11 and 15 of the Securities Act of 1933. The Company believes it has meritorious defenses to these allegations and will vigorously defend itself in these matters. The court held a hearing on the defendants' motions to dismiss the consolidated complaint on November 4, 2010. The court dismissed the consolidated complaint with leave to amend on March 1, 2011. An amended complaint was filed on April 18, 2011. Defendants filed motions to dismiss the amended complaint on May 23, 2011. The motion to dismiss the amended complaint is scheduled to be heard by the court on August 11, 2011. The Company is currently unable to determine if the resolution of these matters will have an adverse effect on the Company's financial position, liquidity or results of operations.

Derivative actions purporting to be brought on the Company's behalf have also been filed in state and federal courts against several of the Company's current and former officers and directors based on the same events alleged in the securities class action lawsuits described above. The California state derivative cases were consolidated as In re SunPower Corp. S'holder Derivative Litig., Lead Case No. 1-09-CV-158522 (Santa Clara Sup. Ct.), and co-lead counsel for plaintiffs have been appointed. The complaints assert state-law claims for breach of fiduciary duty, abuse of control, unjust enrichment, gross mismanagement, and waste of corporate assets. Plaintiffs are scheduled to file a consolidated complaint after entry of an order deciding defendants' motion to dismiss the amended class action complaint. The federal derivative complaints were consolidated as In re SunPower Corp. S'holder Derivative Litig., Master File No. CV-09-05731-RS (N.D. Cal.), and lead plaintiffs and co-lead counsel were appointed on January 4, 2010. The complaints assert state-law claims for breach of fiduciary duty, waste of corporate assets, and unjust enrichment, and seek an unspecified amount of damages. Plaintiffs filed a consolidated complaint on May 13, 2011. A Delaware state derivative case, Brenner v. Albrecht, et al., C.A. No. 6514-VCP (Del Ch.), was filed on May 23, 2011. The complaint asserts state-law claims for breach of fiduciary duty and contribution and indemnification, and seeks an unspecified amount of damages. The Company intends to oppose the derivative plaintiffs' efforts to pursue this litigation on the Company's behalf. The Company is currently unable to determine if the resolution of these matters will have an adverse effect on the Company's financial position, liquidity or results of operations.

The Company is also a party to various other litigation matters and claims that arise from time to time in the ordinary course of its business. While the Company believes that the ultimate outcome of such matters will not have a material adverse effect on the Company, their outcomes are not determinable and negative outcomes may adversely affect the Company's financial position, liquidity or results of operations.

Note 9. *JOINT VENTURES*

Joint Venture with Woongjin Energy Co., Ltd (“Woongjin Energy”)

The Company and Woongjin Holdings Co., Ltd. (“Woongjin”) formed Woongjin Energy in fiscal 2006, a joint venture to manufacture monocrystalline silicon ingots in Korea. The Company supplies polysilicon, services and technical support required for silicon ingot manufacturing to the joint venture. Once manufactured, the Company purchases the silicon ingots from the joint venture under a nine-year agreement through 2016. There is no obligation or expectation for the Company to provide additional funding to Woongjin Energy.

On June 30, 2010, Woongjin Energy completed its initial public offering ("IPO") and the sale of 15.9 million new shares

of common stock. As a result of the completion of the IPO, the Company concluded that Woongjin Energy is no longer a variable interest entity ("VIE"). The Company continues to hold 19.4 million shares, or a percentage equity interest of 31%, as of both July 3, 2011 and January 2, 2011. The market value of the Company's equity interest in Woongjin Energy was $237.1 million on July 1, 2011.

As of July 3, 2011 and January 2, 2011, the Company's carrying value of its investment in the joint venture totaled $83.6 million and $76.6 million, respectively, in its Condensed Consolidated Balance Sheets. The Company accounts for its investment in Woongjin Energy using the equity method under which the investment is classified as “Other long-term assets” in the Condensed Consolidated Balance Sheets and the Company's share of Woongjin Energy's income totaling $2.2 million and $6.7 million in the three and six months ended July 3, 2011, respectively, and $1.7 million and $4.8 million in the three and six months ended July 4, 2010, respectively, is included in “Equity in earnings (loss) of unconsolidated investees” in the Condensed Consolidated Statements of Operations. The Company recorded a non-cash gain of $0.3 million in both the three and six months ended July 3, 2011 and $28.3 million in both the three and six months ended July 4, 2010 in "Gain on change in equity interest in unconsolidated investee" in the Company's Condensed Consolidated Statement of Operations due to its equity interest in Woongjin Energy being diluted as a result of the issuance of additional equity to other investors. As of July 3, 2011, the Company's maximum exposure to loss as a result of its involvement with Woongjin Energy is limited to the carrying value of its investment.

As of July 3, 2011 and January 2, 2011, $18.5 million and $18.4 million, respectively, remained due and receivable from Woongjin Energy related to polysilicon the Company supplied to the joint venture for silicon ingot manufacturing. Payments to Woongjin Energy for manufactured silicon ingots totaled $43.8 million and $92.6 million in the three and six months ended July 3, 2011, respectively, and $42.3 million and $89.3 million in the three and six months ended July 4, 2010, respectively. As of July 3, 2011 and January 2, 2011, $51.3 million and $32.6 million, respectively, remained due and payable to Woongjin Energy. In addition, the Company conducted other related-party transactions with Woongjin Energy in the first half of fiscal 2010. The Company recognized revenue related to the sale of solar panels to Woongjin Energy of $0.3 million during each of the three and six months ended July 4, 2010. As of both July 3, 2011 and January 2, 2011, zero remained due and receivable from Woongjin Energy related to the sale of these solar panels.

Woongjin Energy qualified as a "significant investee" of the Company in fiscal 2009 as defined in SEC Regulation S-X Rule 10-01(b)(1). Summarized financial information adjusted to conform to U.S. GAAP for Woongjin Energy for the six months ended July 3, 2011 and July 4, 2010 is as follows:

Statement of Operations

	Six Months Ended	
(In thousands)	**July 3, 2011**	**July 4, 2010**
Revenue	$ 138,458	$ 55,754
Cost of revenue	118,153	27,983
Gross margin	20,305	27,771
Operating income	13,439	24,923
Net income	13,123	15,159

Joint Venture with First Philec Solar Corporation (“First Philec Solar”)

The Company and First Philippine Electric Corporation (“First Philec”) formed First Philec Solar in fiscal 2007, a joint venture to provide wafer slicing services of silicon ingots to the Company in the Philippines. The Company supplies to the joint venture silicon ingots and technology required for slicing silicon. Once manufactured, the Company purchases the completed silicon wafers from the joint venture under a five-year wafering supply and sales agreement through 2013. There is no obligation or expectation for the Company to provide additional funding to First Philec Solar.

As of July 3, 2011 and January 2, 2011, the Company's carrying value of its investment in the joint venture totaled $6.8 million and $6.1 million, respectively, in its Condensed Consolidated Balance Sheets which represented a 15% equity investment in both periods. The Company accounts for its investment in First Philec Solar using the equity method since the Company is able to exercise significant influence over the joint venture due to its board positions. The Company's investment is classified as “Other long-term assets” in the Condensed Consolidated Balance Sheets and the Company's share of First Philec Solar's income of $0.2 million and $0.7 million in the three and six months ended July 3, 2011, respectively, and $0.3 million in both of the three and six months ended July 4, 2010, is included in “Equity in earnings (loss) of unconsolidated investees” in the Condensed Consolidated Statements of Operations. As of July 3, 2011, the Company's maximum exposure to loss as a result of its involvement with First Philec Solar is limited to the carrying value of its investment.

As of July 3, 2011 and January 2, 2011, $5.7 million and $3.3 million, respectively, remained due and receivable from First Philec Solar related to the wafer slicing process of silicon ingots supplied by the Company to the joint venture. Payments to First Philec Solar for wafer slicing services of silicon ingots totaled $36.0 million and $64.4 million during the three and six months ended July 3, 2011, respectively, and $22.7 million and $38.2 million during the three and six months ended July 4, 2010, respectively. As of July 3, 2011 and January 2, 2011, $12.5 million and $9.0 million, respectively, remained due and payable to First Philec Solar related to the purchase of silicon wafers.

The Company has concluded that it is not the primary beneficiary of the joint venture since, although the Company and First Philec are both obligated to absorb losses or have the right to receive benefits from First Philec Solar that are significant to First Philec Solar, such variable interests held by the Company do not empower it to direct the activities that most significantly impact First Philec Solar's economic performance. In reaching this determination, the Company considered the significant control exercised by First Philec over the joint venture's Board of Directors, management and daily operations.

Joint Venture with AUO SunPower Sdn. Bhd. ("AUOSP")

The Company, through its subsidiaries SunPower Technology, Ltd. (“SPTL") and AUOSP, formerly SunPower Malaysia Manufacturing Sdn. Bhd., formed AUOSP with AUO and AU Optronics Corporation, the ultimate parent company of AUO (“AUO Taiwan”) in the third quarter of fiscal 2010. The Company, through SPTL, and AUO each own 50% of the joint venture AUOSP. AUOSP owns a solar cell manufacturing facility ("FAB 3") in Malaysia and manufactures solar cells and sells them on a “cost-plus” basis to the Company and AUO.

In connection with the joint venture agreement, the Company and AUO also entered into licensing and joint development, supply, and other ancillary transaction agreements. Through the licensing agreement, SPTL and AUO licensed to AUOSP, on a non-exclusive, royalty-free basis, certain background intellectual property related to solar cell manufacturing (in the case of SPTL), and manufacturing processes (in the case of AUO). Under the seven-year supply agreement with AUOSP, renewable by the Company for one-year periods thereafter, the percentage of AUOSP's total annual output allocated on a monthly basis to the Company, which the Company is committed to purchase, ranges from 95% in the fourth quarter of fiscal 2010 to 80% in fiscal year 2013 and thereafter. The Company and AUO have the right to reallocate supplies from time to time under a written agreement. As required under the joint venture agreement, on November 5, 2010, the Company and AUOSP entered into an agreement under which the Company will resell to AUOSP polysilicon purchased from a third-party supplier and AUOSP will provide prepayments to the Company related to such polysilicon, which prepayment will then be made by the Company to the third-party supplier.

The Company and AUO are not permitted to transfer any of AUOSP's shares held by them, except to each other and to their direct or indirect wholly-owned subsidiaries. During the second half of fiscal 2010, the Company, through SPTL, and AUO each contributed total initial funding of $27.9 million. Both the Company and AUO each contributed an additional $30.0 million and $50.0 million in the three and six months ended July 3, 2011, respectively, and will each contribute additional amounts in the second half of fiscal 2011 through 2014 amounting to $271.0 million, or such lesser amount as the parties may mutually agree. In addition, if AUOSP, SPTL or AUO requests additional equity financing to AUOSP, then SPTL and AUO will each be required to make additional cash contributions of up to $50.0 million in the aggregate (See Note 8).

The Company has concluded that it is not the primary beneficiary of the joint venture since, although the Company and AUO are both obligated to absorb losses or have the right to receive benefits, the Company alone does not have the power to direct the activities of the joint venture that most significantly impact its economic performance. In making this determination the Company considered the shared power arrangement, including equal board governance for significant decisions, elective appointment, and the fact that both parties contribute to the activities that most significantly impact the joint venture's economic performance. As a result of the shared power arrangement the Company deconsolidated AUOSP in the third quarter of fiscal 2010 and accounts for its investment in the joint venture under the equity method.

As of July 3, 2011 and January 2, 2011, the Company's carrying value of its investment totaled $83.3 million and $33.7 million, respectively, in its Condensed Consolidated Balance Sheets which represents its 50% equity investment. The Company accounts for its investment in AUOSP using the equity method in which the investment is classified as “Other long-term assets” in the Condensed Consolidated Balance Sheets. The Company's share of AUOSP's net loss for the three and six months ended July 3, 2011 totaled $2.6 million and $0.4 million, respectively, which is included in “Equity in earnings (loss) of unconsolidated investees” in the Condensed Consolidated Statement of Operations. The Company accounts for its share of AUOSP's net loss on a quarterly lag in reporting.

As of July 3, 2011 and January 2, 2011, $15.4 million and $6.0 million, respectively, remained due and payable to

AUOSP and $26.3 million and $7.5 million, respectively, remained due and receivable from AUOSP. Payments to AUOSP for solar cells totaled $42.8 million and $70.7 million during the three and six months ended July 3, 2011, respectively. As of July 3, 2011, the Company's maximum exposure to loss as a result of its involvement with AUOSP is limited to the carrying value of its investment.

Note 10. ***DEBT AND CREDIT SOURCES***

The following table summarizes the Company's outstanding debt as of July 3, 2011 and the related maturity dates:

		Payments Due by Period					
(In thousands)	**Face Value**	**2011 (remaining six months)**	**2012**	**2013**	**2014**	**2015**	**Beyond 2015**
Convertible debt:							
4.50% debentures	$ 250,000	$ —	$ —	$ —	$ —	$ 250,000	$ —
4.75% debentures	230,000	—	—	—	230,000	—	—
1.25% debentures	198,608	—	198,608	—	—	—	—
0.75% debentures	79	—	—	—	—	79	—
IFC mortgage loan	75,000	—	—	12,500	15,000	15,000	32,500
CEDA loan	30,000	—	—	—	—	—	30,000
Société Générale revolving credit facility	108,623	108,623	—	—	—	—	—
	$ 892,310	$ 108,623	$ 198,608	$ 12,500	$ 245,000	$ 265,079	$ 62,500

Convertible Debt

The following table summarizes the Company's outstanding convertible debt (which is additionally reflected in the table above):

	July 3, 2011			January 2, 2011		
(In thousands)	**Carrying Value**	**Face Value**	**Fair Value (1)**	**Carrying Value**	**Face Value**	**Fair Value (1)**
4.50% debentures	$ 186,288	$ 250,000	$ 276,750	$ 179,821	$ 250,000	$ 230,172
4.75% debentures	230,000	230,000	245,525	230,000	230,000	215,050
1.25% debentures (2)	189,200	198,608	196,870	182,023	198,608	188,429
0.75% debentures	79	79	79	79	79	75
	$ 605,567	$ 678,687	$ 719,224	$ 591,923	$ 678,687	$ 633,726

(1) The fair value of the convertible debt was determined based on quoted market prices as reported by an independent pricing source.

(2) The carrying value of the 1.25% senior convertible debentures ("1.25% debentures") was reclassified from long-term liabilities to short-term liabilities within "Convertible debt, current portion" in the Condensed Consolidated Balance Sheet as of July 3, 2011 as the holders may require the Company to repurchase all of their 1.25% debentures on February 15, 2012.

4.50% Debentures

On April 1, 2010, the Company issued $220.0 million in principal amount of its 4.50% senior cash convertible debentures (“4.50% debentures”). On April 5, 2010, initial purchasers of the 4.50% debentures exercised the $30.0 million over-allotment option in full. Interest is payable semi-annually, on March 15 and September 15 of each year, at a rate of 4.50% per annum. The 4.50% debentures mature on March 15, 2015 unless repurchased or converted in accordance with their terms prior to such date. The 4.50% debentures are convertible only into cash, and not into shares of the Company's class A common stock (or any other securities).

The embedded cash conversion option within the 4.50% debentures and the over-allotment option related to the 4.50% debentures are derivative instruments that are required to be separated from the 4.50% debentures and accounted for separately as derivative instruments (derivative liabilities) with changes in fair value reported in the Company's Condensed Consolidated Statements of Operations until such transactions settle or expire. The over-allotment option was settled on April 5, 2010, however, the embedded cash conversion option continues to require mark-to-market accounting treatment. The initial fair value liabilities of the embedded cash conversion option and over-allotment option were classified within “Other long-term liabilities” and simultaneously reduced the carrying value of “Convertible debt, net of current portion” in the Company's Condensed Consolidated Balance Sheets.

In the three and six months ended July 3, 2011, the Company recognized a non-cash loss of $9.7 million and $31.6 million, respectively, recorded in “Gain (loss) on mark-to-market derivatives” in the Company's Condensed Consolidated Statement of Operations related to the change in fair value of the embedded cash conversion option. In the three and six months ended July 4, 2010, the Company recognized a non-cash gain of $39.2 million and $38.9 million, respectively, recorded in “Gain (loss) on mark-to-market derivatives” in the Company's Condensed Consolidated Statement of Operations related to the change in fair value of the embedded cash conversion option and over-allotment option. The fair value liability of the embedded cash conversion option as of July 3, 2011 and January 2, 2011 totaled $66.5 million and $34.8 million, respectively, and is classified within “Other long-term liabilities” in the Company's Condensed Consolidated Balance Sheets.

The embedded cash conversion option is fair valued utilizing Level 2 inputs consisting of the exercise price of the instrument, the Company's class A common stock price and volatility, the risk free interest rate and the contractual term. Such derivative instruments are not traded on an open market as the banks are the counterparties to the instruments.

Significant inputs for the valuation of the embedded cash conversion option are as follows:

	As of (1)	
	July 3, 2011	January 2, 2011
Stock price	$ 19.71	$ 12.83
Exercise price	$ 22.53	$ 22.53
Interest rate	1.26%	1.63%
Stock volatility	45.10%	49.80%
Maturity date	February 18, 2015	February 18, 2015

(1) The valuation model utilizes these inputs to value the right but not the obligation to purchase one share at $22.53. The Company utilized a Black-Scholes valuation model to value the embedded cash conversion option. The underlying input assumptions were determined as follows:
- (i) Stock price. The closing price of the Company's class A common stock on the last trading day of the quarter.
- (ii) Exercise price. The exercise price of the embedded conversion option.
- (iii) Interest rate. The Treasury Strip rate associated with the life of the embedded conversion option.
- (iv) Stock volatility. The volatility of the Company's class A common stock over the life of the embedded conversion option.

Call Spread Overlay with Respect to 4.50% Debentures (“CSO2015”)

Concurrent with the issuance of the 4.50% debentures, the Company entered into privately negotiated convertible debenture hedge transactions (collectively, the "4.50% Bond Hedge") and warrant transactions (collectively, the "4.50% Warrants" and together with the 4.50% Bond Hedge, the “CSO2015”), with certain of the initial purchasers of the 4.50% cash convertible debentures or their affiliates. The CSO2015 transactions represent a call spread overlay with respect to the 4.50% debentures, whereby the cost of the 4.50% Bond Hedge purchased by the Company to cover the cash outlay upon conversion of the debentures is reduced by the sales prices of the 4.50% Warrants. Assuming full performance by the counterparties (and 4.50% Warrants strike prices in excess of the conversion price of the 4.50% debentures), the transactions effectively reduce the Company's potential payout over the principal amount on the 4.50% debentures upon conversion of the 4.50% debentures.

Under the terms of the 4.50% Bond Hedge, the Company bought from affiliates of certain of the initial purchasers options to acquire, at an exercise price of $22.53 per share, subject to customary adjustments for anti-dilution and other events,

cash in an amount equal to the market value of up to 11.1 million shares of the Company's class A common stock. Under the terms of the original 4.50% Warrants, the Company sold to affiliates of certain of the initial purchasers of the 4.50% cash convertible debentures warrants to acquire, at an exercise price of $27.03 per share (subject to customary adjustments for anti-dilution and other events), cash in an amount equal to the market value of up to 11.1 million shares of the Company's class A common stock. Each 4.50% Bond Hedge and 4.50% Warrant transaction is a separate transaction, entered into by the Company with each counterparty, and is not part of the terms of the 4.50% debentures. On December 23, 2010, the Company amended and restated the original 4.50% Warrants so that the holders would, upon exercise of the 4.50% Warrants, no longer receive cash but instead would acquire up to 11.1 million shares of the Company's class A common stock. According to the counterparties to the warrants, the consummation of the Total Tender Offer triggered their rights to make a downward adjustment to the strike price of the warrants. The Company is currently in discussions with the counterparties to determine the appropriate adjustments, if any, to the warrants.

The 4.50% Bond Hedge, which is indexed to the Company's class A common stock, is a derivative instrument that requires mark-to-market accounting treatment due to the cash settlement features until such transactions settle or expire. Similarly, the original 4.50% Warrants was a derivative instrument that required mark-to-market accounting treatment through December 23, 2010. The initial fair value of the 4.50% Bond Hedge was classified as “Other long-term assets” in the Company's Condensed Consolidated Balance Sheets.

The fair value of the 4.50% Bond Hedge as of July 3, 2011 and January 2, 2011 totaled $66.0 million and $34.5 million, respectively, and is classified within "Other long-term assets" in the Company's Condensed Consolidated Balance Sheets. In the three and six months ended July 3, 2011, the Company recognized a non-cash gain of $9.6 million and $31.5 million, respectively, in “Gain (loss) on mark-to-market derivatives” in the Company's Condensed Consolidated Statement of Operations related to the change in fair value of the 4.50% Bond Hedge. In the three and six months ended July 4, 2010, the change in fair value of the original CSO2015 resulted in a mark-to-market non-cash loss of $5.1 million and $7.0 million, respectively, in “Gain (loss) on mark-to-market derivatives” in the Company's Condensed Consolidated Statement of Operations.

The 4.50% Bond Hedge derivative instruments are fair valued utilizing Level 2 inputs consisting of the exercise price of the instruments, the Company's class A stock price and volatility, the risk free interest rate and the contractual term. Such derivative instruments are not traded on an open market. Valuation techniques utilize the inputs described above in addition to liquidity and institutional credit risk inputs.

Significant inputs for the valuation of the 4.50% Bond Hedge at the measurement date are as follows:

	As of (1)	
	July 3, 2011	**January 2, 2011**
Stock price	$ 19.71	$ 12.83
Exercise price	$ 22.53	$ 22.53
Interest rate	1.26%	1.63%
Stock volatility	45.10%	49.80%
Credit risk adjustment	1.11%	1.25%
Maturity date	February 18, 2015	February 18, 2015

(1) The valuation model utilizes these inputs to value the right but not the obligation to purchase one share at $22.53 for the 4.50% Bond Hedge. The Company utilized a Black-Scholes valuation model to value the 4.50% Bond Hedge. The underlying input assumptions were determined as follows:

(i) Stock price. The closing price of the Company's class A common stock on the last trading day of the quarter.
(ii) Exercise price. The exercise price of the 4.50% Bond Hedge.
(iii) Interest rate. The Treasury Strip rate associated with the life of the 4.50% Bond Hedge.
(iv) Stock volatility. The volatility of the Company's class A common stock over the life of the 4.50% Bond Hedge.
(v) Credit risk adjustment. Represents the weighted average of the credit default swap rate of the counterparties.

4.75% Debentures

In May 2009, the Company issued $230.0 million in principal amount of its 4.75% senior convertible debentures (“4.75% debentures”), before payment of the net cost for the call spread overlay described below. Interest on the 4.75% debentures is payable on April 15 and October 15 of each year. Holders of the 4.75% debentures are able to exercise their right to convert the debentures at any time into shares of the Company's class A common stock at a conversion price equal to $26.40 per share. The applicable conversion rate may adjust in certain circumstances, including upon a fundamental change, as described in the indenture governing the 4.75% debentures. If not earlier converted, the 4.75% debentures mature on April 15, 2014. Holders may also require the Company to repurchase all or a portion of their 4.75% debentures upon a fundamental change at a cash repurchase price equal to 100% of the principal amount plus accrued and unpaid interest. In the event of certain events of default, such as the Company's failure to make certain payments or perform or observe certain obligations thereunder, Wells Fargo, the trustee, or holders of a specified amount of then-outstanding 4.75% debentures will have the right to declare all amounts then outstanding due and payable.

Call Spread Overlay with Respect to 4.75% Debentures (“CSO2014”)

Concurrent with the issuance of the 4.75% debentures, the Company entered into certain convertible debenture hedge transactions (the “4.75% Bond Hedge”) and warrant transactions (the "4.75% Warrants") with affiliates of certain of the underwriters of the 4.75% debentures. The 4.75% Bond Hedge and the 4.75% Warrants described below represent a call spread overlay with respect to the 4.75% debentures (the "CSO2014", whereby the cost of the 4.75% Bond Hedges purchased by the Company to cover the potential share outlays upon conversion of the debentures is reduced by the sales prices of the 4.75% Warrants). Assuming full performance by the counterparties (and no adjustments to the strike prices of the 4.75% Warrants), the CSO2014 transactions reduce dilution of the Company's common stock by effectively increasing the conversion price of the 4.75% debentures from $26.40 to the 4.75% Warrant strike prices (currently $38.50).

The 4.75% Bond Hedge allows the Company to purchase up to 8.7 million shares of the Company's class A common stock and are intended to reduce the potential dilution upon conversion of the 4.75% debentures in the event that the market price per share of the Company's class A common stock at the time of exercise is greater than the conversion price of the 4.75% debentures. The 4.75% Bond Hedge will be settled on a net share basis. Each 4.75% Bond Hedge and 4.75% Warrant is a separate transaction, entered into by the Company with each counterparty, and is not part of the terms of the 4.75% debentures. Holders of the 4.75% debentures do not have any rights with respect to the 4.75% Bond Hedges and 4.75% Warrants. The current exercise prices of the 4.75% Bond Hedge are $26.40 per share of the Company's class A common stock, subject to customary adjustment for anti-dilution and other events.

Under the 4.75% Warrants, the Company sold warrants to acquire up to 8.7 million shares of the Company's class A common stock at an exercise price of $38.50 per share of the Company's class A common stock, subject to adjustment for certain anti-dilution and other events. The 4.75% Warrants expire in 2014. According to the counterparties to the warrants, the consummation of the Total Tender Offer triggered their rights to make a downward adjustment to the strike price of the warrants. The Company is currently in discussions with the counterparties to determine the appropriate adjustments, if any, to the warrants.

July 2007 Share Lending Arrangement

Concurrent with the offering of the 0.75% senior convertible debentures ("0.75% debentures"), the Company lent 1.8 million shares of its class A common stock to Credit Suisse International ("CSI"), an affiliate of Credit Suisse Securities (USA) LLC ("Credit Suisse"), one of the underwriters of the 0.75% debentures. The loaned shares are to be used to facilitate the establishment by investors in the 1.25% debentures and 0.75% debentures of hedged positions in the Company's class A common stock. The Company did not receive any proceeds from the offerings of class A common stock, but received a nominal lending fee of $0.001 per share for each share of common stock that is loaned under the share lending agreement. As of July 3, 2011 the fair value of the 1.8 million outstanding loaned shares of class A common stock was $35.5 million (based on a market price of $19.71 as of July 1, 2011).

Share loans under the share lending agreement terminate and the borrowed shares must be returned to the Company under the following circumstances: (i) CSI may terminate all or any portion of a loan at any time; (ii) the Company may terminate any or all of the outstanding loans upon a default by CSI under the share lending agreement, including a breach by CSI of any of its representations and warranties, covenants or agreements under the share lending agreement, or the bankruptcy or administrative proceeding of CSI; or (iii) either party may terminate if the Company enters into a merger or similar business combination transaction with an unaffiliated third party (as defined in the agreement). In addition, CSI has agreed to return to the Company any borrowed shares in its possession on the date anticipated to be five business days before the closing of certain merger or similar business combinations described in the share lending agreement. Except in limited circumstances, any such shares returned to the Company cannot be re-borrowed.

Any shares loaned to CSI are considered issued and outstanding for corporate law purposes and, accordingly, the holders of the borrowed shares have all of the rights of a holder of the Company's outstanding shares, including the right to vote the shares on all matters submitted to a vote of the Company's stockholders and the right to receive any dividends or other distributions that the Company may pay or make on its outstanding shares of class A common stock. However, CSI agreed that it will not participate in shareholder voting matters and further agreed to pay to the Company an amount equal to any dividends or other distributions that the Company pays on the borrowed shares. The shares are listed for trading on the Nasdaq Global Select Market.

While the share lending agreement does not require cash payment upon return of the shares, physical settlement is required (i.e., the loaned shares must be returned at the end of the arrangement). In view of this share return provision and other contractual undertakings of CSI in the share lending agreement, which have the effect of substantially eliminating the economic dilution that otherwise would result from the issuance of the borrowed shares, historically the loaned shares were not considered issued and outstanding for the purpose of computing and reporting the Company's basic and diluted weighted average shares or earnings per share.

The shares lent to CSI will continue to be excluded for the purpose of computing and reporting the Company's basic and diluted weighted average shares or earnings per share. If Credit Suisse or its affiliates, including CSI, were to file bankruptcy or commence similar administrative, liquidating, restructuring or other proceedings, the Company may have to consider 1.8 million shares lent to CSI as issued and outstanding for purposes of calculating earnings per share.

Mortgage Loan Agreement with International Finance Corporation (“IFC”)

In fiscal 2010, SunPower Philippines Manufacturing Ltd. ("SPML") and SPML Land, Inc. (“SPML Land”), both subsidiaries of the Company, entered into a mortgage loan agreement with IFC. Under the loan agreement, SPML may borrow up to $75.0 million from IFC after satisfying certain conditions to disbursement. On June 9, 2011, SPML borrowed $25.0 million under the loan agreement. As of July 3, 2011 and January 2, 2011, SPML had $75.0 million and $50.0 million, respectively, outstanding under the mortgage loan agreement which is classified as "Long-term debt" in the Company's Condensed Consolidated Balance Sheets. As of July 3, 2011, no additional amounts remained available for borrowing under the loan agreement.

Loan Agreement with California Enterprise Development Authority ("CEDA")

On December 29, 2010, the Company borrowed the proceeds of the $30.0 million aggregate principal amount of CEDA's tax-exempt Recovery Zone Facility Revenue Bonds (SunPower Corporation - Headquarters Project) Series 2010 (the "Bonds") maturing April 1, 2031 under a loan agreement with CEDA. The Company's obligations under the loan agreement are contained in a promissory note dated December 29, 2010 issued by the Company to CEDA, which assigned the promissory note, along with all right, title and interest in the loan agreement, to Wells Fargo, as trustee, with respect to the Bonds for the benefit of the holders of the Bonds. The Bonds initially bore interest at a variable interest rate (determined weekly), but at the Company's option were converted into fixed-rate bonds (which include covenants of, and other restrictions on, the Company). As of January 2, 2011 the $30.0 million aggregate principal amount of the Bonds was classified as "Short-term debt" in the Company's Condensed Consolidated Balance Sheet due to the potential for the Bonds to be redeemed or tendered for purchase on June 22, 2011 under the reimbursement agreement described below. On June 1, 2011, the Bonds were converted to bear interest at a fixed rate of 8.50% to maturity and the holders' rights to tender the Bonds prior to their stated maturity was removed. As such, the $30.0 million aggregate principal amount of the Bonds were reclassified as "Long-term debt" in the Company's Condensed Consolidated Balance Sheet as of July 3, 2011.

Concurrently with the execution of the loan agreement and the issuance of the Bonds by CEDA, the Company entered into a reimbursement agreement with Barclays Capital Inc. ("Barclays") pursuant to which the Company caused Barclays to deliver to Wells Fargo a direct-pay irrevocable letter of credit in the amount of $30.4 million (an amount equal to the principal amount of the Bonds plus 38 days' interest thereon). The letter of credit permitted Wells Fargo to draw funds to pay the Company's obligations to pay principal and interest on the Bonds and, in the event the Bonds are redeemed or tendered for purchase, the redemption price or purchase price thereof. Under the reimbursement agreement, the Company deposited $31.8 million in a sequestered account with Barclays, subject to an account control agreement, which funds collateralized the letter of credit pursuant to a cash collateral account pledge agreement entered into by the Company and Barclays on December 29, 2010. Such funds were classified as short-term restricted cash as of January 2, 2011 on the Condensed Consolidated Balance Sheet.

Following the conversion of the Bonds to a fixed rate instrument (for which the letter of credit is no longer required)

Barclays returned $31.8 million of the deposit, plus any remaining unspent funds and interest earnings, to the Company. The amounts returned were included in cash and cash equivalents on the Condensed Consolidated Balance Sheet as of July 3, 2011. In addition, the letter of credit terminated on June 16, 2011, and the Company's obligations under the reimbursement agreement, the cash collateral account pledge agreement and the related account control agreement were thereby terminated.

Revolving Credit Facility with Société Générale, Milan Branch ("Société Générale")

In fiscal 2010, the Company entered into a revolving credit facility with Société Générale under which the Company may borrow up to €75.0 million from Société Générale. On May 25, 2011 the Company entered into an amendment of its revolving credit facility with Société Générale which extended the maturity date to November 23, 2011. Under the amended facility the Company may borrow up to €75.0 million of which amounts borrowed may be repaid and reborrowed until October 23, 2011. The Company is required to pay interest on outstanding borrowings of (1) EURIBOR plus 3.25% per annum for advances outstanding before May 26, 2011, and (2) EURIBOR plus 2.70% for advances outstanding on May 26, 2011 or thereafter; a front-end fee of 0.50% on the available borrowing; and a commitment fee of 1% per annum on funds available for borrowing and not borrowed.

As of both July 3, 2011 and January 2, 2011, an aggregate amount of €75.0 million, or approximately $108.6 million and $98.0 million, respectively, based on the exchange rates as of those dates, remain outstanding under the revolving credit facility which is classified as "Short-term debt" in the Condensed Consolidated Balance Sheets.

April 2010 Letter of Credit Facility with Deutsche Bank AG New York Branch ("Deutsche Bank")

In fiscal 2010, the Company and certain subsidiaries of the Company entered into a letter of credit facility with Deutsche Bank, as issuing bank and as administrative agent, and certain financial institutions. The letter of credit facility provides for the issuance, upon request by the Company, of letters of credit by the issuing bank in order to support obligations of the Company. On May 27, 2011, the Company received an additional $25.0 million commitment from a financial institution under the Deutsche Bank letter of credit facility, which increased the aggregate amount of letters of credit that may be issued under the facility from $375.0 million to $400.0 million.

As of July 3, 2011, letters of credit issued under the letter of credit facility totaled $378.1 million and were collateralized by short-term and long-term restricted cash of $92.2 million and $108.3 million, respectively, on the Condensed Consolidated Balance Sheet. As of January 2, 2011, letters of credit issued under the letter of credit facility totaled $326.9 million and were collateralized by short-term and long-term restricted cash of $55.7 million and $118.3 million, respectively, on the Condensed Consolidated Balance Sheet.

On August 9, 2011, the Company terminated its April 2010 letter of credit facility agreement with Deutsche Bank subsequent to the establishment of the August 2011 letter of credit facility agreement as described below. All outstanding letters of credit under the April 2010 letter of credit facility were transferred to the August 2011 letter of credit facility and $197.8 million in collateral as of August 9, 2011 was released to the Company.

August 2011 Letter of Credit Facility with Deutsche Bank

On August 9, 2011, the Company entered into a letter of credit facility agreement with Deutsche Bank, as issuing bank and as administrative agent, and certain financial institutions. Payment of obligations under the letter of credit facility is guaranteed by Total S.A. pursuant to the Credit Support Agreement. The letter of credit facility provides for the issuance, upon request by the Company, of letters of credit by the issuing banks thereunder in order to support certain obligations of the Company, in an aggregate amount not to exceed (a) $645.0 million for the period from August 9, 2011 through December 31, 2011; (b) $725.0 million for the period from January 1, 2012 through December 31, 2012; and (c) $771.0 million for the period from January 1, 2013 through December 31, 2013. Aggregate letter of credit amounts may be increased upon the agreement of the parties but may not exceed (i) $878.0 million for the period from January 1, 2014 through December 31, 2014; (ii) $936.0 million for the period from January 1, 2015 through December 31, 2015; and (iii) $1.0 billion for the period from January 1, 2016 through June 28, 2016.

Each letter of credit issued under the letter of credit facility must have an expiration date no later than the second anniversary of the issuance of that letter of credit, provided that up to 15% of the outstanding value the letters of credit may have an expiration date of between two and three years from the date of issuance.

The letter of credit facility includes representations, covenants, and events of default customary for financing transactions of this type. The letter of credit facility does not have a requirement for establishing a collateral account or any

other security arrangements with Deutsche Bank or otherwise.

October 2010 Collateralized Revolving Credit Facility with Union Bank

In fiscal 2010, the Company entered into a revolving credit facility with Union Bank under which the Company was able to borrow up to $70.0 million from Union Bank until October 28, 2011. The amount available for borrowing under the revolving credit facility was further capped at 30% of the market value of the Company's holding of 19.4 million shares of common stock of Woongjin Energy which were pledged as security under the facility. The Company repaid $70.0 million of outstanding borrowings plus fees in the second quarter of fiscal 2011. On June 20, 2011, the Company terminated the facility and the pledge on all shares of Woongjin Energy held by the Company.

July 2011 Uncollateralized Revolving Credit Facility with Union Bank

On July 18, 2011, the Company entered into a Credit Agreement with Union Bank under which the Company may borrow up to $50.0 million from Union Bank until October 28, 2011. Amounts borrowed may be repaid and reborrowed until October 28, 2011. All outstanding amounts under the facility are due and payable on October 31, 2011.

The Company is required to pay interest on outstanding borrowings of, at the Company's option, (1) LIBOR plus 2.75% or (2) 1.75% plus a base rate equal to the higher of (a) the federal funds rate plus 0.50%, or (b) Union Bank's reference rate as announced from time to time; a front-end fee of 0.15% on the total amount available for borrowing; and a commitment fee of 0.50% per annum, calculated on a daily basis, on funds available for borrowing and not borrowed.

The obligations of the Company under the revolving credit facility are guaranteed by its subsidiaries SunPower North America, LLC and SunPower Corporation, Systems. The revolving credit facility includes representations, covenants, and events of default customary for financing transactions of this type. The revolving credit facility will be terminated, and amounts due thereunder must be prepaid, upon the closing of any new domestic credit facility in favor of the Company or any of its subsidiaries.

Other Debt and Credit Sources

There has been no significant change in the Company's remaining debt balance, composition or terms since the end of the most recently completed fiscal year end other than those described above. Additional details regarding the Company's debt arrangements may be referenced from the Company's annual consolidated financial statements and notes thereto for the year ended January 2, 2011 included in the fiscal 2010 Form 10-K and its Forms 8-K subsequently filed with the SEC.

Note 11. ***COMPREHENSIVE INCOME (LOSS)***

The components of comprehensive income (loss) are as follows:

	As of	
(In thousands)	**July 3, 2011**	**January 2, 2011**
Accumulated other comprehensive income (loss):		
Cumulative translation adjustment	$ (3,905)	$ (2,761)
Net unrealized gain (loss) on derivatives	(30,348)	10,647
Deferred taxes	3,488	(4,246)
	$ (30,765)	$ 3,640

(In thousands)	Three Months Ended July 3, 2011	Three Months Ended July 4, 2010	Six Months Ended July 3, 2011	Six Months Ended July 4, 2010
Net income (loss)	$ (147,872)	$ (6,216)	$ (149,993)	$ 6,357
Components of comprehensive income (loss):				
Translation adjustment	(954)	1,563	(1,144)	1,734
Net unrealized gain (loss) on derivatives (Note 12)	54	36,216	(40,995)	62,279
Unrealized loss on investments	(355)	—	—	—
Income taxes	(8)	(4,248)	7,734	(7,276)
Net change in accumulated other comprehensive income (loss)	(1,263)	33,531	(34,405)	56,737
Total comprehensive income (loss)	$ (149,135)	$ 27,315	$ (184,398)	$ 63,094

Note 12. ***FOREIGN CURRENCY DERIVATIVES***

The Company has non-U.S. subsidiaries that operate and sell the Company's products in various global markets, primarily in Europe. As a result, the Company is exposed to risks associated with changes in foreign currency exchange rates. It is the Company's policy to use various techniques, including entering into foreign currency derivative instruments, to manage the exposures associated with forecasted revenues, purchases of foreign sourced equipment and non-U.S. dollar denominated monetary assets and liabilities. The Company does not enter into foreign currency derivative financial instruments for speculative or trading purposes.

The Company is required to recognize derivative instruments as either assets or liabilities at fair value in its Condensed Consolidated Balance Sheets. The Company utilizes the income approach and mid-market pricing to calculate the fair value of its option and forward contracts based on market volatilities, spot and forward rates, interest rates and credit default swaps rates from published sources. The following table presents information about the Company's hedge instruments measured at fair value on a recurring basis as of July 3, 2011 and January 2, 2011, all of which utilize Level 2 inputs under the fair value hierarchy:

(In thousands)	Balance Sheet Classification	July 3, 2011	January 2, 2011
Assets	Prepaid expenses and other current assets		
Derivatives designated as hedging instruments:			
Foreign currency option contracts		$ 5,621	$ 16,432
Foreign currency forward exchange contracts		104	16,314
		$ 5,725	$ 32,746
Derivatives not designated as hedging instruments:			
Foreign currency forward exchange contracts		$ 8,128	$ 3,208
Liabilities	Accrued liabilities		
Derivatives designated as hedging instruments:			
Foreign currency option contracts		$ 10,263	$ 2,909
Foreign currency forward exchange contracts		11,076	3,295
		$ 21,339	$ 6,204
Derivatives not designated as hedging instruments:			
Foreign currency forward exchange contracts		$ 27,858	$ 4,060

Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly. The selection of a particular technique to value an over-the-counter (“OTC”) foreign currency derivative depends upon the contractual term of, and specific risks inherent with, the instrument as well as the availability of pricing information in the market. The Company generally uses similar techniques to value similar instruments. Valuation techniques utilize a variety of inputs, including contractual terms, market prices, yield curves, credit curves and measures of volatility. For OTC foreign currency derivatives that trade in liquid markets, such as generic forward and option contracts, inputs can

generally be verified and selections do not involve significant management judgment.

The following table summarizes the amount of unrealized gain (loss) recognized in “Accumulated other comprehensive income (loss)” (“OCI”) in “Stockholders' equity” in the Condensed Consolidated Balance Sheets:

	Three Months Ended		Six Months Ended	
(In thousands)	**July 3, 2011**	**July 4, 2010**	**July 3, 2011**	**July 4, 2010**
Derivatives designated as cash flow hedges:				
Unrealized gain (loss) recognized in OCI (effective portion)	$ (12,210)	$ 45,886	$ (60,203)	$ 63,581
Less: Loss (gain) reclassified from OCI to revenue (effective portion)	12,264	(9,670)	15,319	(13,780)
Less: Loss reclassified from OCI to other, net (1)	—	—	3,889	—
Add: Loss reclassified from OCI to cost of revenue (effective portion)	—	—	—	12,478
Net gain (loss) on derivatives (Note 11)	$ 54	$ 36,216	$ (40,995)	$ 62,279

(1) During the six months ended July 3, 2011, the Company reclassified from OCI to "Other, net" a net gain totaling $0.8 million relating to transactions previously designated as effective cash flow hedges as the related forecasted transactions did not occur in the hedge period or within an additional two month time period thereafter. In addition, the Company reclassified from OCI to "Other, net" a net loss totaling $4.7 million relating to transactions previously designated as effective cash flow hedges as the Company concluded that the related forecasted transactions are probable not to occur in the hedge period or within an additional two month time period thereafter.

The following table summarizes the amount of gain (loss) recognized in “Other, net” in the Condensed Consolidated Statements of Operations in the three and six months ended July 3, 2011 and July 4, 2010:

	Three Months Ended		Six Months Ended	
(In thousands)	**July 3, 2011**	**July 4, 2010**	**July 3, 2011**	**July 4, 2010**
Derivatives designated as cash flow hedges:				
Loss recognized in "Other, net" on derivatives (ineffective portion and amount excluded from effectiveness testing) (1)	$ (9,944)	$ (6,265)	$ (22,636)	$ (8,267)
Derivatives not designated as hedging instruments:				
Gain (loss) recognized in "Other, net"	$ (6,403)	$ 22,000	$ (44,598)	$ 37,390

(1) The amount of loss recognized related to the ineffective portion of derivatives was insignificant. This amount also includes a net $3.9 million loss reclassified from OCI to “Other, net” in the six months ending July 3, 2011 relating to transactions previously designated as effective cash flow hedges which did not occur or were now probable not to occur in the hedge period or within an additional two month time period thereafter.

Foreign Currency Exchange Risk

Designated Derivatives Hedging Cash Flow Exposure

The Company's subsidiaries have had and will continue to have material cash flows, including revenues and expenses, which are denominated in currencies other than their functional currencies. The Company's cash flow exposure primarily relates to anticipated third party foreign currency revenues and expenses. Changes in exchange rates between the Company's subsidiaries' functional currencies and other currencies in which it transacts will cause fluctuations in margin, cash flows expectations, and cash flows realized or settled. Accordingly, the Company enters into derivative contracts to hedge the value of a portion of these forecasted cash flows and to protect financial performance.

As of July 3, 2011, the Company had designated outstanding cash flow hedge option contracts and forward contracts with an aggregate notional value of $391.2 million and $328.7 million, respectively. The maturity dates of the outstanding contracts as of July 3, 2011 range from July to April 2012. During the first quarter of fiscal 2011, the Company entered into additional designated cash flow hedges to protect certain portions of its anticipated non-functional currency cash flows related

to foreign denominated revenues. As of January 2, 2011, the Company had designated outstanding hedge option contracts and forward contracts with an aggregate notional value of $358.9 million and $534.7 million, respectively. The Company designates either gross external or intercompany revenue up to its net economic exposure. These derivatives have a maturity of one year or less and consist of foreign currency option and forward contracts. The effective portion of these cash flow hedges are reclassified into revenue when third party revenue is recognized in the Condensed Consolidated Statements of Operations.

The Company expects to reclassify the majority of its net losses related to these option and forward contracts that are included in accumulated other comprehensive loss as of July 3, 2011 to revenue in fiscal 2011. Cash flow hedges are tested for effectiveness each period based on changes in the spot rate applicable to the hedge contracts against the present value period to period change in spot rates applicable to the hedged item using regression analysis. The change in the time value of the options as well as the cost of forward points (the difference between forward and spot rates at inception) on forward exchange contracts are excluded from the Company's assessment of hedge effectiveness. The premium paid or time value of an option whose strike price is equal to or greater than the market price on the date of purchase is recorded as an asset in the Condensed Consolidated Balance Sheets. Thereafter, any change to this time value and the cost of forward points is included in “Other, net” in the Condensed Consolidated Statements of Operations.

Under hedge accounting rules for foreign currency derivatives, the Company is required to reflect mark-to-market gains and losses on its hedged transactions in accumulated other comprehensive income (loss) rather than current earnings until the hedged transactions occur. However, if the Company determines that the anticipated hedged transactions are probable not to occur, it must immediately reclassify any cumulative market gains and losses into its Condensed Consolidated Statement of Operations. In the first quarter of fiscal 2011, the Company determined that certain anticipated hedged transactions were probable not to occur due, in part, to the announcement of the feed-in-tariff changes in Italy. As a result, a loss of $3.9 million was reclassified from accumulated other comprehensive income (loss) to "Other, net" in the Company's Condensed Consolidated Statement of Operations during the six months ended July 3, 2011.

Non-Designated Derivatives Hedging Transaction Exposure

Other derivatives not designated as hedging instruments consist of forward contracts used to hedge re-measurement of foreign currency denominated monetary assets and liabilities primarily for intercompany transactions, receivables from customers, prepayments to suppliers and advances received from customers, and payables to third parties. Changes in exchange rates between the Company's subsidiaries' functional currencies and the currencies in which these assets and liabilities are denominated can create fluctuations in the Company's reported consolidated financial position, results of operations and cash flows. The Company enters into forward contracts, which are originally designated as cash flow hedges, and de-designates them upon recognition of the anticipated transaction to protect resulting non-functional currency monetary assets. These forward contracts as well as additional forward contracts are entered into to hedge foreign currency denominated monetary assets and liabilities against the short-term effects of currency exchange rate fluctuations. The Company records its derivative contracts that are not designated as hedging instruments at fair value with the related gains or losses recorded in “Other, net” in the Condensed Consolidated Statements of Operations. The gains or losses on these contracts are substantially offset by transaction gains or losses on the underlying balances being hedged. As of July 3, 2011 and January 2, 2011, the Company held forward contracts with an aggregate notional value of $467.9 million and $934.8 million, respectively, to hedge balance sheet exposure. These forward contracts have maturities of three month or less.

Credit Risk

The Company's option and forward contracts do not contain any credit-risk-related contingent features. The Company is exposed to credit losses in the event of nonperformance by the counterparties of its option and forward contracts. The Company enters into derivative contracts with high-quality financial institutions and limits the amount of credit exposure to any single counterparty. In addition, the derivative contracts are limited to a time period of less than one year and the Company continuously evaluates the credit standing of its counterparties.

Note 13. *INCOME TAXES*

In the three and six months ended July 3, 2011, the Company's income tax provision of $22.7 million and $6.9 million, respectively, on a loss from continuing operations before income taxes and equity in earnings of unconsolidated investees of $125.0 million and $150.1 million, respectively, was primarily due to domestic and foreign losses in certain jurisdictions, nondeductible amortization of purchased intangible assets, nondeductible stock compensation, amortization of debt discount from convertible debentures, mark-to-market fair value adjustments, changes in the valuation allowance on deferred tax assets and discrete stock option deductions. In the three and six months ended July 4, 2010, the Company's income tax provision was $47.0 million and $16.1 million, respectively, on income before income taxes and equity in earnings of

unconsolidated investees of $30.9 million and $9.4 million, respectively, was primarily due to domestic and foreign income in certain jurisdictions, nondeductible amortization of purchased intangible assets, nondeductible stock compensation, amortization of debt discount from convertible debentures, gain on change in equity interest in Woongjin Energy, mark-to-market fair value adjustments, changes in the valuation of deferred tax assets, and discrete stock option deductions. The Company determines its interim tax provision using an estimated annual effective tax rate methodology except in jurisdictions where the Company anticipates or has a year-to-date ordinary loss for which no tax benefit can be recognized. In these jurisdictions, tax expense is computed based on an actual or discrete method.

Note 14. ***NET INCOME (LOSS) PER SHARE OF CLASS A AND CLASS B COMMON STOCK***

The Company calculates net income per share under the two-class method. Under the two-class method, net income per share is computed by dividing earnings allocated to common stockholders by the weighted average number of common shares outstanding for the period. In applying the two-class method, earnings are allocated to both classes of common stock and other participating securities based on their respective weighted average shares outstanding during the period. No allocation is generally made to other participating securities in the case of a net loss per share.

Basic weighted average shares is computed using the weighted average of the combined class A and class B common stock outstanding. Class A and class B common stock are considered equivalent securities for purposes of the earnings per share calculation because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation. The Company's outstanding unvested restricted stock awards are considered participating securities as they may participate in dividends, if declared, even though the awards are not vested. As participating securities, the unvested restricted stock awards are allocated a proportionate share of net income, but excluded from the basic weighted average shares. Diluted weighted average shares is computed using basic weighted average shares plus any potentially dilutive securities outstanding during the period using the if-converted method and treasury-stock-type method, except when their effect is anti-dilutive. Potentially dilutive securities include stock options, restricted stock units, senior convertible debentures and amended warrants associated with the CSO2015.

The Company uses income from continuing operations as the control number in determining whether potential common shares are dilutive or anti-dilutive in the period it reports a discontinued operation (see Note 3). As a result of the net loss from continuing operations for each of the three and six months ended July 3, 2011 and July 4, 2010 there is no dilutive impact to the net income (loss) per share calculation. Further, the inclusion of all potentially dilutive stock options, restricted stock units, and common shares under the 4.75% debentures would be anti-dilutive, therefore, those shares were excluded from the computation of the weighted-average shares for diluted net loss per share.

The following is a summary of other outstanding anti-dilutive potential common stock:

	As of	
(In thousands)	**July 3, 2011**	**July 4, 2010**
Stock options	828	350
Restricted stock units	2,648	1,900
Warrants (under the CSO2015)	*	N/A
4.75% debentures	8,712	8,712
1.25% debentures	*	*
0.75% debentures	*	*

* The Company's average stock price during the three and six months ended July 3, 2011 and July 4, 2010 did not exceed the conversion price for the amended warrants (under the CSO2015), 1.25% debentures and 0.75% debentures and those instruments were thus non-dilutive in both quarters.

Holders of the Company's 4.75% senior convertible debentures ("4.75% debentures") may convert the debentures into shares of the Company's class A common stock, at the applicable conversion rate, at any time on or prior to maturity. The 4.75% debentures are included in the calculation of diluted net income per share if their inclusion is dilutive under the if-converted method. In each of the three and six months ended July 3, 2011 and July 4, 2010 there were no dilutive potential common shares under the 4.75% debentures.

Holders of the Company's 1.25% debentures and 0.75% debentures may, under certain circumstances at their option, convert the debentures into cash and, if applicable, shares of the Company's class A common stock at the applicable conversion

rate, at any time on or prior to maturity. The 1.25% debentures and 0.75% debentures are included in the calculation of diluted net income per share if their inclusion is dilutive under the treasury-stock-type method. The Company's average stock price during the three and six months ended July 3, 2011 and July 4, 2010 did not exceed the conversion price for the 1.25% debentures and 0.75% debentures. Under the treasury-stock-type method, the Company's 1.25% debentures and 0.75% debentures will generally have a dilutive impact on net income per share if the Company's average stock price for the period exceeds the conversion price for the debentures.

Holders of the Company's 4.50% debentures may, under certain circumstances at their option, convert the debentures into cash, and not into shares of the Company's class A common stock (or any other securities). Therefore, the 4.50% debentures are excluded from the net income per share calculation. Upon exercise of the amended warrants (under the CSO2015), holders will acquire, at an exercise price of $27.03 per share, up to 11.1 million shares of the Company's class A common stock (see Note 10). If the market price per share of the Company's class A common stock exceeds the exercise price of $27.03 per share, the amended warrants will have a dilutive effect on its dilutive net income per share using the treasury-stock-type method.

Note 15. ***STOCK-BASED COMPENSATION***

The following table summarizes the consolidated stock-based compensation expense by line item in the Condensed Consolidated Statements of Operations:

	Three Months Ended		Six Months Ended	
(In thousands)	**July 3, 2011**	**July 4, 2010**	**July 3, 2011**	**July 4, 2010**
Cost of UPP revenue	$ 2,414	$ 1,632	$ 3,299	$ 2,823
Cost of R&C revenue	2,859	2,327	3,895	3,818
Research and development	1,735	2,253	3,504	3,936
Sales, general and administrative	5,809	5,379	15,282	11,822
Total stock-based compensation expense	$ 12,817	$ 11,591	$ 25,980	$ 22,399

The following table summarizes the consolidated stock-based compensation expense by type of awards:

	Three Months Ended		Six Months Ended	
(In thousands)	**July 3, 2011**	**July 4, 2010**	**July 3, 2011**	**July 4, 2010**
Employee stock options	$ 611	$ 25	$ 1,071	$ 902
Restricted stock awards and units	11,054	11,566	25,880	22,381
Change in stock-based compensation capitalized in inventory	1,152	—	(971)	(884)
Total stock-based compensation expense	$ 12,817	$ 11,591	$ 25,980	$ 22,399

Note 16. ***SEGMENT AND GEOGRAPHICAL INFORMATION***

The CODM assesses the performance of the UPP Segment and R&C Segment using information about their revenue and gross margin after adding back certain non-cash expenses such as amortization of other intangible assets, stock-based compensation expense, loss on change in European government incentives and interest expense. In addition, the CODM assesses the performance of the UPP Segment and R&C Segment after adding back the results of discontinued operations to revenue and gross margin. The following tables present revenue by segment, cost of revenue by segment and gross margin by segment, revenue by geography and revenue by significant customer. Revenue is based on the destination of the shipments.

(As a percentage of total revenue)	Three Months Ended July 3, 2011	Three Months Ended July 4, 2010	Six Months Ended July 3, 2011	Six Months Ended July 4, 2010
Revenue by geography:				
North America	63%	34%	55%	32%
Europe:				
Italy	13	21	15	19
Germany	6	20	6	19
France	7	8	11	10
Other	4	7	5	10
Rest of world	7	10	8	10
	100%	100%	100%	100%
Revenue by segment (in thousands):				
Utility and power plants (as reviewed by CODM)	$ 302,439	$ 127,904	$ 548,348	$ 271,998
Revenue earned by discontinued operations	—	(7,905)	—	(7,905)
Utility and power plants	$ 302,439	$ 119,999	$ 548,348	$ 264,093
Residential and commercial	$ 289,816	$ 264,239	$ 495,325	$ 467,419
Cost of revenue by segment (in thousands):				
Utility and power plants (as reviewed by CODM)	$ 276,870	$ 94,543	$ 478,509	$ 203,690
Amortization of intangible assets	65	774	167	1,463
Stock-based compensation expense	2,414	1,632	3,299	2,823
Non-cash interest expense	601	275	986	676
Loss on change in European government incentives	29,082	—	29,082	—
Utility and power plants	$ 309,032	$ 97,224	$ 512,043	$ 208,652
Residential and commercial (as reviewed by CODM)	$ 241,532	$ 194,318	$ 399,539	$ 354,304
Amortization of intangible assets	2	2,125	195	4,249
Stock-based compensation expense	2,859	2,327	3,895	3,818
Non-cash interest expense	155	393	804	895
Loss on change in European government incentives	19,381	—	19,381	—
Residential and commercial	$ 263,929	$ 199,163	$ 423,814	$ 363,266
Gross margin by segment:				
Utility and power plants (as reviewed by CODM)	8 %	26%	13%	25%
Residential and commercial (as reviewed by CODM)	17 %	26%	19%	24%
Utility and power plants	(2)%	19%	7%	21%
Residential and commercial	9 %	25%	14%	22%

(As a percentage of total revenue)		Three Months Ended July 3, 2011	Three Months Ended July 4, 2010	Six Months Ended July 3, 2011	Six Months Ended July 4, 2010
Significant Customers:	**Business Segment**				
Customer A	Utility and power plants	18%	*	11%	*

* denotes less than 10% during the period

Note 17. ***SUBSEQUENT EVENTS***

On July 18, 2011, the Company entered into a revolving credit facility agreement with Union Bank under which it may borrow up to $50.0 million (see Note 10).

On August 9, 2011, the Company entered into a letter of credit facility agreement with Deutsche Bank, as issuing bank and as administrative agent, and certain financial institutions. Payment of obligations under the letter of credit facility is guaranteed by Total S.A. pursuant to the Credit Support Agreement. In connection with the establishment of the new August 2011 letter of credit facility agreement, the Company terminated its April 2010 letter of credit facility agreement with Deutsche Bank (see Note 10).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that do not represent historical facts and the assumptions underlying such statements. We use words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "predict," "potential," "will," "would," and similar expressions to identify forward-looking statements. Forward-looking statements in this Quarterly Report on Form 10-Q include, but are not limited to, our plans and expectations regarding future financial results, expected operating results, business strategies, projected costs and cost reduction roadmap, products, ability to monetize utility projects, competitive positions, management's plans and objectives for future operations, the sufficiency of our cash and our liquidity, our ability to obtain financing, the success of our joint ventures, expected capital expenditures, warranty matters, outcomes of litigation, our exposure to foreign exchange, interest and credit risk, general business and economic conditions, industry trends, impact of changes in government incentive programs, expected restructuring charges, the likelihood of any impairment of project assets, goodwill and intangible assets, and the expected benefits from our new ownership relationship with Total Gas & Power USA S.A.S. ("Total") and the related agreements with Total and its affiliates. These forward-looking statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q and current expectations, forecasts and assumptions and involve a number of risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements. Such risks and uncertainties include a variety of factors, some of which are beyond our control. Please see "Part II. Item 1A: Risk Factors" herein and our other filings with the Securities and Exchange Commission ("SEC"), including our Annual Report on Form 10-K for the year ended January 2, 2011 (the "fiscal 2010 Form 10-K"), for additional information on risks and uncertainties that could cause actual results to differ. These forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we are under no obligation to, and expressly disclaim any responsibility to, update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

The following information should be read in conjunction with the Condensed Consolidated Financial Statements and the accompanying Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q. Our fiscal year ends on the Sunday closest to the end of the applicable calendar year. All references to fiscal periods apply to our fiscal quarters or year which ends on the Sunday closest to the calendar month end.

Unit of Power

When referring to our facilities' manufacturing capacity, total sales and components sales, the unit of electricity in watts for kilowatts ("KW"), megawatts ("MW") and gigawatts ("GW") is direct current ("dc"). When referring to our solar power systems, the unit of electricity in watts for KW, MW and GW is alternating current ("ac").

General Overview

We are a vertically integrated solar products and services company that designs, manufactures and delivers high-performance solar electric systems worldwide for residential, commercial and utility-scale power plant customers. Of all the solar cells available for the mass market, we believe our solar cells have the highest conversion efficiency, a measurement of the amount of sunlight converted by the solar cell into electricity.

We believe our solar cells provide the following benefits compared with conventional solar cells:

- superior performance, including the ability to generate up to 50% more power per unit area than conventional solar cells;
- superior aesthetics, with our uniformly black surface design that eliminates highly visible reflective grid lines and metal interconnect ribbons;
- more KW per pound can be transported using less packaging, resulting in lower distribution costs; and
- more efficient use of silicon, a key raw material used in the manufacture of solar cells.

The high efficiency and superior aesthetics of our solar power products provide compelling customer benefits. In many situations, we offer a significantly lower area-related cost structure for our customers because our solar panels require a substantially smaller roof or land area than conventional solar technology and half or less of the roof or land area of many

commercial solar thin film technologies.

We believe our solar power systems provide the following benefits compared with various competitors' systems:

- channel breadth and flexible delivery capability, including turn-key systems;
- high performance delivered by enhancing energy delivery and financial return through systems technology design; and
- cutting edge systems design to meet customer needs and reduce cost, including non-penetrating, fast roof installation technologies.

Our solar power systems are designed to generate electricity over a system life typically exceeding 25 years under test conditions and are principally designed to be used in large-scale applications with system ratings of typically more than 500 KW. Worldwide, we have more than 650 MW of SunPower solar power systems operating or under contract. We sell distributed rooftop and ground-mounted solar power systems as well as central-station power plants globally. In the United States, distributed solar power systems are typically either: (i) rated at more than 500 KW of capacity to provide a supplemental, distributed source of electricity for a customer's facility; or (ii) ground mount systems reaching up to hundreds of MWs for regulated utilities. In the United States, commercial and electric utility customers typically choose to purchase solar electricity under a power purchase agreement (“PPA”) with an investor or financing company that buys the system from us. In Europe, our products and systems are typically purchased by an investor or financing company and operated as central-station solar power plants. These power plants are rated with capacities of approximately one to fifty MW, and generate electricity for sale under tariff to private and public utilities.

Business Segments Overview

Our President and Chief Executive Officer, as the chief operating decision maker (“CODM”), has organized our company and manages resource allocations and measures performance of our company's activities between two business segments: the Utility and Power Plants ("UPP") Segment and the Residential and Commercial ("R&C") Segment. Our UPP Segment refers to our large-scale solar products and systems business, which includes power plant project development and project sales, turn-key engineering, procurement and construction (“EPC”) services for power plant construction, and power plant operations and maintenance (“O&M”) services. Our UPP Segment also sells components, including large volume sales of solar panels and mounting systems to third parties, often on a multi-year, firm commitment basis. Our R&C Segment focuses on solar equipment sales into the residential and small commercial market through our third-party global dealer network, as well as direct sales and EPC and O&M services in the United States for rooftop and ground-mounted solar power systems for the new homes, commercial and public sectors.

Seasonal Trends

Our business is subject to industry-specific seasonal fluctuations. Sales have historically reflected these seasonal trends with the largest percentage of total revenues realized during the last two calendar quarters of a fiscal year. Lower seasonal demand normally results in reduced shipments and revenues in the first two calendar quarters of a fiscal year. There are various reasons for this seasonality, mostly related to economic incentives and weather patterns. For example, in European countries with feed-in tariffs, the construction of solar power systems may be concentrated during the second half of the calendar year, largely due to the fact that the coldest winter months are January through March. In the United States, customers will sometimes make purchasing decisions towards the end of the year in order to take advantage of tax credits or for other budgetary reasons. In addition, sales in the new home development market are often tied to construction market demands which tend to follow national trends in construction, including declining sales during cold weather months.

Total Tender Offer

On April 28, 2011, we and Total, a subsidiary of Total S.A., a French *société anonyme* (“Total S.A.”), entered into a Tender Offer Agreement (the “Tender Offer Agreement”). Pursuant to the Tender Offer Agreement, on May 3, 2011, Total commenced a cash tender offer to acquire up to 60% of our outstanding shares of class A common stock and up to 60% of our outstanding shares of class B common stock (the “Tender Offer”) at a price of $23.25 per share for each class. The consummation of the Tender Offer was subject to customary closing conditions, including a minimum of 50% of the outstanding shares of each of the class A common stock and class B common stock being tendered, clearance by U.S. and European Union antitrust authorities, and other customary closing conditions.

The offer expired on June 14, 2011 and Total accepted for payment on June 21, 2011 a total of 34,756,682 shares of our

class A common stock and 25,220,000 shares of our class B common stock, representing 60% of each class of our outstanding common stock as of June 13, 2011 for a total cost of approximately $1.4 billion.

Change in European Market

In March 2011, the Italian government passed a new legislative decree providing for a significant change in its feed-in tariff ("FIT") program. In May 2011, the Italian government announced a legislative decree which defined the revised FIT and the transition process effective June 1, 2011. The decree announced a decline in FIT and also set forth a limit on the construction of solar plants on agricultural land. Similarly, during the last several months other European countries reduced government incentives for the solar market. Such changes had a materially negative effect on the market for solar systems in Europe and caused our earnings to decline in Europe and adversely affected our financial results. In the three and six months ended July 3, 2011 some solar projects planned for 2011 were delayed, which has driven down demand and average selling prices for our solar panels thereby increasing inventories on hand and reducing our cash and cash equivalents. In response to the reduction in European government incentives, primarily in Italy, our Board of Directors approved a restructuring plan, on June 13, 2011, to realign our resources. The plan and related charges are further discussed below under "Results of Operations."

The impact of the new FIT in Italy on our company and the solar market represented a triggering event which caused us to review the carrying values of our goodwill, other intangible assets and long-lived assets allocated to the UPP-International reporting unit in the first quarter of fiscal 2011 which did not result in an impairment charge. The subsequent adverse change in the business climate on the market for solar systems in Europe, and our responding shift in strategy, represented another triggering event which caused us to review the carrying values of our goodwill, other intangible assets and long-lived assets allocated to the UPP-International reporting unit in the second quarter of fiscal 2011. Based on this review, there was no impairment to goodwill, other intangible assets and long-lived assets to the UPP-International reporting unit. In reviewing whether there was an impairment, we considered the discounted cash flows from the UPP-International reporting unit using the income approach and reconciled this value to an implied enterprise value based upon the $23.25 per share price paid by Total on June 21, 2011. As of July 3, 2011 the UPP-International reporting unit has goodwill and intangible assets of $93.8 million and $45.9 million, respectively, and a fair value which is not significantly different from its book value.

Critical Accounting Policies and Estimates

These condensed consolidated financial statements and accompanying notes should be read in conjunction with our annual consolidated financial statements and notes thereto contained in the fiscal 2010 Form 10-K.

There have been no significant changes in our significant accounting policies for the three months ended July 3, 2011, as compared to the significant accounting policies described in the fiscal 2010 Form 10-K. Further, there has been no issued accounting guidance not yet adopted by us that we believe is material, or is potentially material, to our condensed consolidated financial statements.

Results of Operations

Revenue

	Three Months Ended		Six Months Ended	
(In thousands)	**July 3, 2011**	**July 4, 2010**	**July 3, 2011**	**July 4, 2010**
Utility and power plants	$ 302,439	$ 119,999	$ 548,348	$ 264,093
Residential and commercial	289,816	264,239	495,325	467,419
Total revenue	$ 592,255	$ 384,238	$ 1,043,673	$ 731,512

Total Revenue: During the three and six months ended July 3, 2011, our total revenue was $592.3 million and $1,043.7 million, respectively, an increase of 54% and 43% from total revenue reported in each of the comparable periods in fiscal 2010. The increase in our total revenue during the three and six months ended July 3, 2011 compared to the same periods in fiscal 2010 was attributable to revenue related to the development of several large scale projects in North America and Europe, as well as the continuous growth of our third-party global dealer network in reaction to demand in the geographical regions in which we do business. In the three and six months ended July 3, 2011, we recognized revenue on 190.3 MW and 323.0 MW, respectively, of solar power products sold through both our UPP and R&C Segments as compared to 118.4 MW and 211.2 MW, respectively, sold during the comparable periods in fiscal 2010, representing an increase of 61% and 53%, respectively. The increase in our total revenue was partially offset by declining average selling prices and mix of our solar power products. We

expect continued market pressure will further drive down average selling prices of our solar power products as a result of the evolving supply environment.

Sales outside North America represented 37% and 45% of total revenue for the three and six months ended July 3, 2011, respectively, as compared to 66% and 68% for the three and six months ended July 4, 2010, respectively. The shift in revenue by geography in the three and six months ended July 3, 2011 as compared to the comparable periods in fiscal 2010 was due to increasing demand in the United States for our solar power products due to additional federal and state initiatives supporting attractive solar incentives within the residential, commercial and utility sectors, as well as a slowdown in project development and component shipments in Europe due to changes in government incentives.

Concentrations: We had one customer that accounted for 10 percent or more of total revenue in the three and six months ended July 3, 2011. No customers accounted for 10 percent or more of total revenue in the three and six months ended July 4, 2010.

		Three Months Ended		Six Months Ended	
(As a percentage of total revenue)		**July 3, 2011**	**July 4, 2010**	**July 3, 2011**	**July 4, 2010**
Significant Customer:	**Business Segment**				
Customer A	Utility and power plants	18%	*	11%	*

* denotes less than 10% during the period

UPP Revenue: UPP revenue for the three and six months ended July 3, 2011 was $302.4 million and $548.3 million, respectively, which accounted for 51% and 53%, respectively, of total revenue. UPP revenue for the three and six months ended July 3, 2011 increased 152% and 108%, respectively, as compared to the three and six months ended July 4, 2010 due to revenue related to large scale projects completed or under construction in North America and Europe, including projects acquired as part of our strategic acquisition in March 2010.

In the three and six months ended July 3, 2011, our UPP revenue was primarily driven by revenue recognized under the percentage-of-completion method for several power plants under construction including a 20 MW solar power plant in Ontario, Canada, and three solar power plants under construction in the United States totaling 60 MW.

In the three and six months ended July 4, 2010, our UPP revenue was driven by 29.8 MW and 66.2 MW, respectively, of component sales, primarily in Europe and Japan. Revenue was additionally recognized under the percentage-of-completion method for several power plants that were at or nearing completion in Florida and Italy.

R&C Revenue: R&C revenue for the three and six months ended July 3, 2011 was $289.8 million and $495.3 million, respectively, or 49% and 47%, respectively, of total revenue. R&C revenue for the three and six months ended July 3, 2011 increased 10% and 6%, respectively, as compared to the three and six months ended July 4, 2010 due to growing demand for our solar power products in the residential and commercial markets, specifically in rooftop and ground-mounted commercial projects in North America, partially offset by the change in European government incentives which negatively influenced overall demand in and timing of customers' buying decisions in that region and by declining average selling prices.

In the three and six months ended July 3, 2011, our R&C revenue was primarily driven by demand in solar equipment sales into the residential and small commercial market in North America and Europe through our third-party global dealer network. Our third-party global dealer network was composed of more than 1,600 dealers worldwide at the end of the second quarter in fiscal 2011, an increase of approximately 450 dealers from the second quarter in fiscal 2010. R&C revenue was additionally driven by strong demand in commercial projects in North America, particularly the United States, due to federal, state and local initiatives supporting solar power projects.

In the three and six months ended July 4, 2010, our R&C revenue was primary driven by demand for our solar power products in the United States, Germany and Italy through our third-party global dealer network which was composed of more than 1,150 dealers worldwide at the end of the second quarter in fiscal 2010.

Cost of Revenue

	Three Months Ended					
	UPP		R&C		Consolidated	
(Dollars in thousands)	July 3, 2011	July 4, 2010	July 3, 2011	July 4, 2010	July 3, 2011	July 4, 2010
Amortization of other intangible assets	$ 65	$ 774	$ 2	$ 2,125	$ 67	$ 2,899
Stock-based compensation	2,414	1,632	2,859	2,327	5,273	3,959
Non-cash interest expense	601	275	155	393	756	668
Loss on change in European government incentives	29,082	—	19,381	—	48,463	—
Materials and other cost of revenue	276,870	94,543	241,532	194,318	518,402	288,861
Total cost of revenue	$ 309,032	$ 97,224	$ 263,929	$ 199,163	$ 572,961	$ 296,387
Total cost of revenue as a percentage of revenue	102 %	81%	91%	75%	97%	77%
Total gross margin percentage	(2)%	19%	9%	25%	3%	23%

	Six Months Ended					
	UPP		R&C		Consolidated	
(Dollars in thousands)	July 3, 2011	July 4, 2010	July 3, 2011	July 4, 2010	July 3, 2011	July 4, 2010
Amortization of other intangible assets	$ 167	$ 1,463	$ 195	$ 4,249	$ 362	$ 5,712
Stock-based compensation	3,299	2,823	3,895	3,818	7,194	6,641
Non-cash interest expense	986	676	804	895	1,790	1,571
Loss on change in European government incentives	29,082	—	19,381	—	48,463	—
Materials and other cost of revenue	478,509	203,690	399,539	354,304	878,048	557,994
Total cost of revenue	$ 512,043	$ 208,652	$ 423,814	$ 363,266	$ 935,857	$ 571,918
Total cost of revenue as a percentage of revenue	93%	79%	86%	78%	90%	78%
Total gross margin percentage	7%	21%	14%	22%	10%	22%

Total Cost of Revenue: Our cost of revenue will fluctuate from period to period due to the mix of projects completed and recognized as revenue, in particular between large utility projects and large commercial installation projects. The cost of solar panels is the single largest cost element in our cost of revenue. Other cost of revenue associated with the construction of solar power systems includes real estate, mounting systems, inverters, third-party contract manufacturer costs and construction subcontract and dealer costs. In addition, other factors contributing to cost of revenue include amortization of other intangible assets, stock-based compensation, depreciation, provisions for estimated warranty claims, salaries, personnel-related costs, freight, royalties, facilities expenses and manufacturing supplies associated with contracting revenue and solar cell fabrication as well as factory pre-operating costs associated with our manufacturing facilities.

During the three and six months ended July 3, 2011, our two solar cell manufacturing facilities produced 164.6 MW and 322.2 MW, respectively, as compared to the three and six months ended July 4, 2010 when we produced 137.9 MW and 273.3 MW, respectively. Our direct manufacturing cost decreased in the three and six month ended July 3, 2011 as compared to the three and six months ended July 4, 2010 due to lower material cost, better material utilization and higher volume. Such factors resulted in increased economies of scale in production, partially offset by unfavorable foreign currency impact on material purchases. We are working with our suppliers and partners along all steps of the value chain to reduce costs by improving

manufacturing technologies and expanding economies of scale.

During the three and six months ended July 3, 2011, total cost of revenue was $573.0 million and $935.9 million, respectively, which represented an increase of 93% and 64%, respectively, period over period. The increase in total cost of revenue partly corresponds with the increase of 54% and 43%, respectively, in total revenue during the three and six months ended July 3, 2011 compared to the three and six months ended July 4, 2010. As a percentage of total revenue, total cost of revenue increased to 97% and 90%, respectively, in the three and six months ended July 3, 2011 as compared to 77% and 78%, respectively, in the three and six months ended July 4, 2010. The increase in total cost of revenue as a percentage of total revenue is primarily due to: (i) a 61% and 53% increase in total MW of solar power products sold during the three and six months ended July 3, 2011, respectively, as compared to the respective periods in fiscal 2010, accompanied by an overall reduction in average selling prices of our solar power products period over period, and (ii) additional anticipated costs associated with the ramp up of AUO SunPower Sdn. Bhd's ("AUOSP") solar cell manufacturing facility ("FAB 3") which became operational in December 2010. Additionally contributing to the increase in total cost of revenue is $48.5 million in charges incurred in the second quarter of fiscal 2011 associated with the change in European government incentives, including (i) a $16.0 million write-down of project asset costs based on changes in fair value and our ability to develop, commercialize and sell active projects within Europe, and (ii) $32.5 million related to the write-down of third-party inventory and costs associated with the termination of third-party solar cell supply contracts resulting from lower demand and average selling price in certain areas of Europe.

UPP Gross Margin: Gross margin for our UPP Segment was a negative $6.6 million and a positive $36.3 million for the three and six months ended July 3, 2011, respectively, or (2)% and 7%, respectively, of UPP revenue. UPP gross margin for the three and six months ended July 3, 2011 primarily decreased due to: (i) an increase in costs on certain power plant projects under construction; (ii) a decrease in the percentage of total UPP revenue derived from component sales in Europe, which typically have a higher gross margin percentage than our utility projects; and (iii) reductions in the average selling price of components in excess of the reduction of our manufacturing cost described above. Also contributing to the decline in gross margin were charges relating to the change in European government incentives totaling $29.1 million including (i) a $16.0 million write-down of project asset costs to estimated fair value based on changes in our ability to develop, commercialize and sell active projects within Europe, and (ii) $13.1 million related to the write-down of third-party inventory and costs associated with the termination of third-party solar cell supply contracts as described above.

R&C Gross Margin: Gross margin for our R&C Segment was $25.9 million and $71.5 million for the three and six months ended July 3, 2011, respectively, or 9% and 14%, respectively, of R&C revenue. Gross margin decreased in both periods primarily due to: (i) overall reduction in average selling prices of our solar products; (ii) increased mix of third party panels in the second quarter of fiscal 2011, which generally have a lower margin; and (iii) $19.4 million in charges incurred in the second quarter of fiscal 2011 related to the write-down of third-party inventory and costs associated with the termination of third-party solar cell supply contracts as a result of the change in European government incentives as described above. These decreases were partially offset by (i) increased activity and installations of rooftop and ground-mounted projects in the commercial sector in North America; and (ii) improvements attributable to continued manufacturing scale and reductions in our manufacturing cost described above.

Research and Development ("R&D")

	Three Months Ended		Six Months Ended	
(Dollars in thousands)	**July 3, 2011**	**July 4, 2010**	**July 3, 2011**	**July 4, 2010**
Stock-based compensation	$ 1,735	$ 2,253	$ 3,504	$ 3,936
Other R&D	13,520	8,953	25,397	17,677
Total R&D	$ 15,255	$ 11,206	$ 28,901	$ 21,613
As a percentage of revenue	3%	3%	3%	3%

During the three and six months ended July 3, 2011, R&D expense was $15.3 million and $28.9 million, respectively, which represents an increase of 36% and 34%, respectively, period over period. The increase in our investment in R&D during the three and six months ended July 3, 2011 as compared to the same periods in fiscal 2010 resulted primarily from costs related to the improvement of our current generation solar cell manufacturing technology, development of our next generation of solar cells, solar panels, trackers and rooftop systems, and development of systems performance monitoring products. We expect our R&D activity to continue to increase in fiscal 2011 as compared to 2010 as we continue to improve solar cell efficiency through enhancement of our existing products, develop new technologies, and reduce manufacturing cost and complexity.

The increase in R&D expense for both the three and six months ended July 3, 2011 as compared to the three and six months ended July 4, 2010 is further attributable to a decrease in cost reimbursements received from government entities in the United States from $2.1 million and $3.9 million in the three and six months ended July 4, 2010, respectively, to $0.4 million in each of the three and six months ended July 3, 2011 due to the phase out of related programs during fiscal 2010, such as the Solar America Initiative R&D agreement with the United States Department of Energy. As of July 3, 2011 we have executed three new research and development agreements with the United States federal government and California state agencies. Payments received under these contracts during the six months ended July 3, 2011 totaled $0.4 million. Further payments received under these contracts will offset some of our R&D expense in future periods.

Sales, General and Administrative ("SG&A")

	Three Months Ended		Six Months Ended	
(Dollars in thousands)	**July 3, 2011**	**July 4, 2010**	**July 3, 2011**	**July 4, 2010**
Amortization of other intangible assets	$ 6,801	$ 8,803	$ 13,570	$ 10,749
Stock-based compensation	5,809	5,379	15,282	11,822
Total investment related costs	13,123	—	13,123	—
Amortization of promissory notes	698	2,919	1,988	2,919
Non-cash interest expense	2	—	2	—
Other SG&A	64,423	61,275	123,070	117,166
Total SG&A	$ 90,856	$ 78,376	$ 167,035	$ 142,656
As a percentage of revenue	15%	20%	16%	20%

During the three and six months ended July 3, 2011, SG&A expense was $90.9 million and $167.0 million, respectively, which represents an increase of 16% and 17%, respectively, from SG&A expense reported in the comparable periods of fiscal 2010. The increase in SG&A expense during the three and six months ended July 3, 2011 as compared to the same periods in fiscal 2010 resulted primarily from higher spending in all of our functional areas to support the growth of our business, including additional operating expenses consolidated into our financial results subsequent to our strategic acquisition in March 2010. We expect our SG&A expense to continue to increase in fiscal 2011 as we continue to invest in expanding our sales and support organizations and continue to grow our business, partially offset by our cost-control strategy implemented in response to the changes in the European market.

The increase in SG&A expense in the three and six months ended July 3, 2011 as compared to the three and six months ended July 4, 2010 primarily related to: (i) additional operating and development expenses being consolidated into our financial results due to consolidating an acquiree effective March 26, 2010, including additional amortization associated with other intangible assets related to acquired project assets; (ii) non-recurring transaction expenses of $13.1 million incurred in connection with the April 28, 2011 Tender Offer Agreement with Total; and (iii) sales and marketing spending to expand our third-party global dealer network and global branding initiatives. Other expenses contributing to the overall increase included personnel related expense (including salary, employee benefits, stock-based compensation costs and commission) as well as rent and facility related expenses as a result of increased headcount and additional bad debt expense due to the overall increase in revenue and the collectability of outstanding accounts receivable related to several customers impacted by the difficult economic conditions experienced in the last two years. The increase in SG&A expense period over period is partially offset by $4.4 million of expenses incurred in the first quarter of fiscal 2010 associated with our Audit Committee's independent investigation of certain accounting entries primarily related to cost of goods sold by our Philippines operations.

Restructuring Charges

	Three Months Ended		Six Months Ended	
(In thousands)	**July 3, 2011**	**July 4, 2010**	**July 3, 2011**	**July 4, 2010**
Restructuring charges	$ 13,308	$ —	$ 13,308	$ —
As a percentage of revenue	2%	—%	1%	—%

In response to reductions in European government incentives, primarily in Italy, which have had a significant impact on the global solar market, on June 13, 2011, our Board of Directors approved a restructuring plan to realign our resources. In connection with this plan, which is expected to be completed within the next 12 months, we will eliminate approximately 85 positions, 2% of our workforce, in addition to the consolidation or closure of certain facilities in Europe. As a result, we expect to record restructuring charges of up to $22.0 million related to the UPP Segment, composed of severance benefits, lease and related termination costs, and other associated costs. We expect greater than 90% of these charges to be cash. During the three

and six months ended July 3, 2011, restructuring charges recognized in the Condensed Consolidated Statements of Operations amounted to $13.3 million. These charges consisted of $12.3 million of employee severance and benefits, which includes $1.4 million of compensation associated with the accelerated vesting of promissory notes previously issued as consideration for an acquisition completed in the first quarter of fiscal 2010, $0.7 million of lease and related termination costs, and $0.3 million of legal and other related charges.

Other Income (Expense), Net

	Three Months Ended		Six Months Ended	
(In thousands)	**July 3, 2011**	**July 4, 2010**	**July 3, 2011**	**July 4, 2010**
Interest income	$ 488	$ 279	$ 1,231	$ 552
Non-cash interest expense	$ (6,249)	$ (8,710)	$ (12,540)	$ (14,197)
Other interest expense	(9,810)	(10,600)	(18,778)	(16,053)
Total interest expense	$ (16,059)	$ (19,310)	$ (31,318)	$ (30,250)
Gain on change in equity interest in unconsolidated investee	$ 322	$ 28,348	$ 322	$ 28,348
Gain (loss) on mark-to-market derivatives	$ (97)	$ 34,070	$ (141)	$ 31,852
Other, net	$ (9,527)	$ (10,806)	$ (18,734)	$ (16,397)
Other income (expense), net	$ (24,873)	$ 32,581	$ (48,640)	$ 14,105

Interest income during the three and six months ended July 3, 2011 primarily represented interest income earned on our cash, cash equivalents, restricted cash, restricted cash equivalents and available-for-sale securities during these periods. The increase in interest income of 75% and 123% in the three and six months ended July 3, 2011, respectively, as compared to the same periods in 2010 resulted from higher interest rates earned on available-for-sale securities comprised of investments in debt securities. All of our investments in debt securities were sold on May 23, 2011.

Interest expense during the three and six months ended July 3, 2011 primarily related to debt under our senior convertible debentures, fees for our outstanding letters of credit with Deutsche Bank AG New York Branch ("Deutsche Bank"), the mortgage loan with International Finance Corporation ("IFC"), debt under the loan agreement with California Enterprise Development Authority ("CEDA"), and debt under the revolving credit facilities with Union Bank, N.A. ("Union Bank") and Société Générale, Milan Branch ("Société Générale"). Interest expense during the three and six months ended July 4, 2010 primarily related to issuances of our senior convertible debentures and borrowings under the facility agreement with the Malaysian government (deconsolidated in the third quarter of fiscal 2010), fees for our outstanding letters of credit with Deutsche Bank, and acquired debt. The decrease in interest expense of 17% in the three months ended July 3, 2011 as compared to the same period in fiscal 2010 is primarily due to: (i) the repurchase of $143.8 million in principal amount of the 0.75% senior convertible debentures ("0.75% debentures") and (ii) borrowings under the facility agreement with the Malaysian government being deconsolidated in the third quarter of fiscal 2010. The increase in interest expense of 4% in the six months ended July 3, 2011 as compared to the same period in fiscal 2010 was due to additional indebtedness related to our $250.0 million in principal amount of 4.50% senior cash convertible debentures ("4.50% debentures") issued in April 2010, approximately $108.6 million borrowed from Société Générale in November 2010 under the revolving credit facility, outstanding borrowings up to $75.0 million under our mortgage loan agreement with IFC beginning in November 2010, and $30 million borrowed under our loan agreement with CEDA in December 2010.

We recorded a non-cash gain of $0.3 million in both the three and six months ended July 3, 2011 due to the dilution of our equity interest in Woongjin Energy Co., Ltd's ("Woongjin Energy") as a result of Woongjin Energy's issuance of additional equity to other investors during the second quarter in fiscal 2011. The resulting dilutive impact on our equity interest was immaterial. Similarly, we recorded a non-cash gain of $28.3 million in both the three and six months ended July 4, 2010 due to the dilution of our equity interest in Woongjin Energy, from 42.1% to 31.3%, as Woongjin Energy completed its initial public offering and sale of 15.9 million new shares of common stock in the second quarter of fiscal 2010.

The $0.1 million net loss on mark-to-market derivatives in both the three and six months ended July 3, 2011 related to the change in fair value of the following derivative instruments associated with the 4.50% debentures: (i) the embedded cash conversion option; and (ii) the bond hedge transaction. The $34.1 million and $31.9 million net gain on mark-to-market derivatives during the three and six months ended July 4, 2010, respectively, related to the change in fair value of the following derivative instruments associated with the 4.50% debentures: (i) the embedded cash conversion option; (ii) the over-allotment option; (iii) the bond hedge transaction; and (iv) the warrant transaction. The changes in fair value of these derivatives are reported in our Condensed Consolidated Statements of Operations until such transactions settle or expire. The over-allotment

option derivative settled on April 5, 2010 when the initial purchasers of the 4.50% debentures exercised the $30.0 million over-allotment option in full. As a result of the terms of the warrants being amended and restated so that they are settled in shares of our class A common stock rather than in cash, the warrants have not required mark-to-market accounting treatment subsequent to December 23, 2010.

The following table summarizes the components of Other, net:

	Three Months Ended		Six Months Ended	
(In thousands)	**July 3, 2011**	**July 4, 2010**	**July 3, 2011**	**July 4, 2010**
Loss on derivatives and foreign exchange	$ (9,752)	$ (10,556)	$ (19,105)	$ (17,614)
Gain (loss) on sale of investments	(319)	—	(191)	1,572
Other income (expense), net	544	(250)	562	(355)
Total other, net	$ (9,527)	$ (10,806)	$ (18,734)	$ (16,397)

Other, net was comprised of expenses totaling $9.5 million and $18.7 million during the three and six months ended July 3, 2011, respectively, consisting primarily of: (i) losses totaling $5.3 million and $13.6 million, respectively, from expensing the time value of option contracts and forward points on forward exchange contracts of effective cash flow hedges; and (ii) losses totaling $4.5 million and $5.5 million, respectively, on foreign currency derivatives and foreign exchange largely due to the volatility in the currency markets. In addition, we have an active hedging program designed to reduce our exposure to movements in foreign currency exchange rates. As a part of this program, we designate certain derivative transactions as effective cash flow hedges of anticipated foreign currency revenues and record the effective portion of changes in the fair value of such transactions in "Accumulated other comprehensive income (loss)" in our Condensed Consolidated Balance Sheets until the anticipated revenues have occurred, at which point the associated income or loss would be recognized in revenue. In the six months ended July 3, 2011, in connection with the decline in forecasted revenue surrounding the change in European governmental incentives, we reclassified an amount held in "Accumulated other comprehensive income (loss)" for certain previously anticipated transactions which did not occur or are now probable not to occur, which totaled a loss of $3.9 million. In addition, we recorded a loss on sale of investments of $0.3 million and $0.2 million during the three and six months ended July 3, 2011, respectively, primarily related to the sale of debt securities in the second quarter of fiscal 2011.

Other, net was comprised of expenses totaling $10.8 million and $16.4 million during the three and six months ended July 4, 2010, respectively, consisting primarily of: (i) losses totaling $6.7 million and $9.6 million, respectively, from expensing the time value of option contracts and forward points on forward exchange contracts; and (ii) losses totaling $3.9 million and $8.0 million, respectively, on foreign currency derivatives and foreign exchange largely due to the volatility in the current markets. These expenses during the three and six months ended July 4, 2010 were partially offset by a gain on distributions from certain money market funds in the first quarter of fiscal 2010.

Income Taxes

	Three Months Ended		Six Months Ended	
(Dollars in thousands)	**July 3, 2011**	**July 4, 2010**	**July 3, 2011**	**July 4, 2010**
Provision for income taxes	$ (22,702)	$ (46,992)	$ (6,886)	$ (16,117)
As a percentage of revenue	4%	12%	1%	2%

In the three and six months ended July 3, 2011, our income tax provision of $22.7 million and $6.9 million, respectively, on a loss from continuing operations before income taxes and equity in earnings of unconsolidated investees of $125.0 million and $150.1 million, respectively, was primarily due to domestic and foreign losses in certain jurisdictions, nondeductible amortization of purchased intangible assets, nondeductible stock compensation, amortization of debt discount from convertible debentures, mark-to-market fair value adjustments, changes in the valuation allowance on deferred tax assets and discrete stock option deductions. In the three and six months ended July 4, 2010, our income tax provision was $47.0 million and $16.1 million, respectively, on income from continuing operations before income taxes and equity in earnings of unconsolidated investees of $30.9 million and $9.4 million, respectively, was primarily due to domestic and foreign income in certain jurisdictions, nondeductible amortization of purchased intangible assets, non deductible stock compensation, amortization of debt discount from convertible debentures, gain on change in our equity interest in Woongjin Energy, mark-to-market fair value adjustments, changes in the valuation allowance on deferred tax assets, and discrete stock option deductions.

A significant amount of our total revenue is generated from customers located outside of the United States, and a substantial portion of our assets and employees are located outside of the United States. United States income taxes and foreign

withholding taxes have not been provided on the undistributed earnings of our non-United States subsidiaries as such earnings are intended to be indefinitely reinvested in operations outside the United States to extent that such earnings have not been currently or previously subjected to taxation of the United States.

We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. In assessing the need for a valuation allowance, we consider historical levels of income, expectations and risks associated with the estimates of future taxable income and ongoing prudent and feasible tax planning strategies. In the event we determine that we would be able to realize additional deferred tax assets in the future in excess of the net recorded amount, or if we subsequently determine that realization of an amount previously recorded is unlikely, we would record an adjustment to the deferred tax asset valuation allowance, which would change income tax in the period of adjustment. As of July 3, 2011, we believe there is insufficient evidence to realize additional deferred tax assets in fiscal 2011.

Equity in Earnings (Loss) of Unconsolidated Investees

	Three Months Ended		Six Months Ended	
(Dollars in thousands)	**July 3, 2011**	**July 4, 2010**	**July 3, 2011**	**July 4, 2010**
Equity in earnings (loss) of unconsolidated investees	$ (172)	$ 2,030	$ 6,961	$ 5,148
As a percentage of revenue	—%	1%	1%	1%

Our equity in earnings (loss) of unconsolidated investees were net losses of $0.2 million and net gains of $7.0 million for the three and six months ended July 3, 2011, respectively, as compared to net gains of $2.0 million and $5.1 million in the three and six months ended July 4, 2010, respectively.

Our share of Woongjin Energy's income totaled $2.2 million and $6.7 million in the three and six months ended July 3, 2011, respectively, as compared to $1.7 million and $4.8 million in the three and six months ended July 4, 2010, respectively. Our share of First Philec Solar Corporation's (“First Philec Solar”) income totaled $0.2 million and $0.7 million in the three and six months ended July 3, 2011, respectively, as compared to $0.3 million for both the three and six months ended July 4, 2010. The change in our equity share of Woongjin Energy's and First Philec Solar's earnings period over period represents the growth of the joint ventures' operations and changes in our equity ownership. Our share of AUOSP's loss totaled $2.6 million and $0.4 million in the three and six months ended July 3, 2011, respectively.

Income from Discontinued Operations, Net of Taxes

	Three Months Ended		Six Months Ended	
(Dollars in thousands)	**July 3, 2011**	**July 4, 2010**	**July 3, 2011**	**July 4, 2010**
Income from discontinued operations, net of taxes	$ —	$ 7,896	$ —	$ 7,896

In connection with a strategic acquisition on March 26, 2010, we acquired a European project company, Cassiopea PV S.r.l (“Cassiopea”), operating a previously completed 20 MWac solar power plant in Montalto di Castro, Italy. In the period in which our asset is classified as held-for-sale, we are required to segregate for all periods presented the related assets, liabilities and results of operations associated with that asset as discontinued operations. Cassiopea's results of operations in fiscal 2010 were classified as “Income from discontinued operations, net of taxes” in our Condensed Consolidated Statement of Operations. On August 5, 2010, we sold the assets and liabilities of Cassiopea.

Liquidity and Capital Resources

Cash Flows

A summary of the sources and uses of cash and cash equivalents is as follows:

	Six Months Ended	
(In thousands)	**July 3, 2011**	**July 4, 2010**
Net cash used in operating activities of continuing operations	$ (280,532)	$ (45,799)
Net cash used in investing activities of continuing operations	(43,213)	(378,415)
Net cash provided by (used in) financing activities of continuing operations	(42,385)	203,994

Operating Activities

Net cash used in operating activities of continuing operations of $280.5 million in the six months ended July 3, 2011 was primarily the result of: (i) a net loss of $150.0 million; (ii) increases in inventories and project assets of $103.0 million and $84 million, respectively, for construction of future and current projects in North America and Europe; and (iii) increases in costs and estimated earnings in excess of billings of $47.1 million related to contractual timing of system project billings. Net cash used in operating activities was partially offset by: (i) net non-cash charges of $146.8 million primarily related to depreciation and amortization, stock based compensation, inventories and project assets write-down associated with the change in European government incentives, and non-cash interest charges, less non-cash income of $7.3 million primarily related to our equity share in earnings of joint ventures; and (ii) a net decrease of $36.1 million of other operating assets and liabilities.

Net cash used in operating activities of continuing operations of $45.8 million in the six months ended July 4, 2010 was primarily the result of the loss from continuing operations of $1.5 million, plus a $1.6 million gain on distributions from the Reserve Primary Fund and non-cash income of $65.3 million related to our equity share in earnings of joint ventures, gain on change in equity interest in a joint venture and a net gain on mark-to-market derivatives, partially offset by non-cash charges totaling $120.8 million for depreciation, amortization, stock-based compensation and non-cash interest expense. In addition, net cash used in operating activities of continuing operations primarily related to: (i) increases in inventories and project assets of $72.2 million and $47.9 million, respectively, for construction of future and current projects in Italy; (ii) increases in costs and estimated earnings in excess of billings of $32.6 million related to contractual timing of system project billings; as well as (iii) other changes in operating assets and liabilities of $66.2 million, partially offset by an increase in accounts payable and other accrued liabilities of $120.8 million.

Investing Activities

Net cash used in investing activities of continuing operations in the six months ended July 3, 2011 was $43.2 million, of which: (i) $68.2 million related to capital expenditures primarily associated with improvements to our current generation solar cell manufacturing technology, leasehold improvements associated with new offices leased in San Jose, California, and other projects; and (ii) $50.0 million related to additional cash investments in our AUOSP joint venture. Cash used in investing activities was partially offset by: (i) a decrease in restricted cash of $30.7 million; (ii) $43.8 million in proceeds received related to the sale of debt securities and distributions on certain money market funds; and (iii) $0.5 million in proceeds received from the sale of manufacturing equipment.

Net cash used in investing activities of continuing operations in the six months ended July 4, 2010 was $378.4 million, of which: (i) $100.3 million relates to capital expenditures primarily associated with the continued construction of FAB 3 in Malaysia (deconsolidated in the third quarter of fiscal 2010); (ii) $272.7 million in cash paid for the acquisition of SunRay, net of cash acquired; (iii) an increase in restricted cash and cash equivalents of $8.3 million for advanced payments received from customers that we provided security in the form of cash collateralized bank standby letters of credit; and (iv) $1.6 million in additional investments in a non-public company. Cash used in investing activities was partially offset by $2.9 million in proceeds received from the sale of equipment to a third-party subcontractor and $1.6 million on distributions from certain money market funds.

Financing Activities

Net cash used in financing activities of continuing operations in the six months ended July 3, 2011 was $42.4 million and reflects cash paid of: (i) $226.1 million repayment on outstanding balances under the Union Bank and Société Générale revolving credit facilities; and (ii) $9.4 million in purchases of stock for tax withholding obligations on vested restricted stock. Cash used in financing activities in the six months ended July 3, 2011 was partially offset by: (i) $189.2 million in cash proceeds from subsequent drawdowns under the Union Bank and Société Générale revolving credit facilities; and (ii) $3.9 million from stock option exercises.

Net cash provided by financing activities of continuing operations in the six months ended July 4, 2010 was $204.0 million and reflects cash received of: (i) $230.5 million in net proceeds from the issuance of $250.0 million in principal amount of our 4.50% debentures, after reflecting the payment of the net cost of the bond hedge and warrant transactions; (ii) $5.1 million in proceeds from a drawdown under a project loan; and (iii) $0.3 million from stock option exercises. Cash received in the six months ended July 4, 2010 was partially offset by cash paid of $30.0 million to Union Bank to terminate our $30.0 million term loan and $2.0 million for treasury stock purchases that were used to pay withholding taxes on vested restricted stock.

Debt and Credit Sources

Convertible Debentures

As of both July 3, 2011 and January 2, 2011, an aggregate principal amount of $250.0 million of the 4.50% debentures remain issued and outstanding. Interest on the 4.50% debentures is payable on March 15 and September 15 of each year. The 4.50% debentures mature on March 15, 2015. The 4.50% debentures are convertible only into cash, and not into shares of our class A common stock (or any other securities). Prior to December 15, 2014, the 4.50% debentures are convertible only upon specified events and, thereafter, they will be convertible at any time, based on an initial conversion price of $22.53 per share of our class A common stock. The conversion price will be subject to adjustment in certain events, such as distributions of dividends or stock splits. Upon conversion, we will deliver an amount of cash calculated by reference to the price of our class A common stock over the applicable observation period. We may not redeem the 4.50% debentures prior to maturity. Holders may also require us to repurchase all or a portion of their 4.50% debentures upon a fundamental change, as defined in the debenture agreement, at a cash repurchase price equal to 100% of the principal amount plus accrued and unpaid interest. In the event of certain events of default, such as our failure to make certain payments or perform or observe certain obligations thereunder, Wells Fargo, the trustee, or holders of a specified amount of then-outstanding 4.50% debentures will have the right to declare all amounts then outstanding due and payable. Concurrent with the issuance of the 4.50% debentures, we entered into privately negotiated convertible debenture hedge transactions and warrant transactions which represent a call spread overlay with respect to the 4.50% debentures ("the “CSO2015”). According to the counterparties to the warrants, the consummation of the Total Tender Offer triggered their rights to make a downward adjustment to the strike price of the warrants. We are currently in discussions with the counterparties to determine the appropriate adjustments, if any, to the warrants. Please see “*Conversion of our outstanding 1.25% and 4.75% debentures, our warrants related to our outstanding 4.50% and 4.75% debentures, and future substantial issuances or dispositions of our class A or class B common stock or other securities, could dilute ownership and earnings per share or cause the market price of our stock to decrease*.” in “Part I. Item 1A: Risk Factors” in the fiscal 2010 Form 10-K.

As of both July 3, 2011 and January 2, 2011, an aggregate principal amount of $230.0 million of the 4.75% senior convertible debentures ("4.75% debentures") remain issued and outstanding. Interest on the 4.75% debentures is payable on April 15 and October 15 of each year. Holders of the 4.75% debentures are able to exercise their right to convert the debentures at any time into shares of our class A common stock at a conversion price equal to $26.40 per share. The applicable conversion rate may adjust in certain circumstances, including upon a fundamental change, as defined in the indenture governing the 4.75% debentures. If not earlier converted, the 4.75% debentures mature on April 15, 2014. Holders may also require us to repurchase all or a portion of their 4.75% debentures upon a fundamental change at a cash repurchase price equal to 100% of the principal amount plus accrued and unpaid interest. In the event of certain events of default, such as our failure to make certain payments or perform or observe certain obligations thereunder, Wells Fargo, the trustee, or holders of a specified amount of then-outstanding 4.75% debentures will have the right to declare all amounts then outstanding due and payable. Concurrent with the issuance of the 4.75% debentures, we entered into certain convertible debenture hedge transactions and warrant transactions with affiliates of certain of the underwriters of the 4.75% debentures which represent a call spread overlay with respect to the 4.75% debentures (the "CSO2014"). According to the counterparties to the warrants, the consummation of the Total Tender Offer triggered their rights to make a downward adjustment to the strike price of the warrants. We are currently in discussions with the counterparties to determine the appropriate adjustments, if any, to the warrants. Please see “*Conversion of our outstanding 1.25% and 4.75% debentures, our warrants related to our outstanding 4.50% and 4.75% debentures, and future substantial issuances or dispositions of our class A or class B common stock or other securities, could dilute ownership and earnings per share or cause the market price of our stock to decrease*.” in “Part I. Item 1A: Risk Factors” in the fiscal 2010 Form 10-K.

As of both July 3, 2011 and January 2, 2011, an aggregate principal amount of $198.6 million of the 1.25% senior convertible debentures ("1.25% debentures") remain issued and outstanding. Interest on the 1.25% debentures is payable on February 15 and August 15 of each year. The 1.25% debentures mature on February 15, 2027. Holders may require us to repurchase all or a portion of their 1.25% debentures on each of February 15, 2012, February 15, 2017 and February 15, 2022, or if we experience certain types of corporate transactions constituting a fundamental change, as defined in the indenture governing the 1.25% debentures. Any repurchase of the 1.25% debentures under these provisions will be for cash at a price equal to 100% of the principal amount of the 1.25% debentures to be repurchased plus accrued and unpaid interest. In addition, we may redeem some or all of the 1.25% debentures on or after February 15, 2012 for cash at a redemption price equal to 100% of the principal amount of the 1.25% debentures to be redeemed plus accrued and unpaid interest. As of July 3, 2011, the 1.25% debentures were reclassified from long-term liabilities to short-term liabilities within "Convertible debt, current portion" in the Condensed Consolidated Balance Sheet as the holders may require us to repurchase all of their 1.25% debentures on February 15, 2012.

As of both July 3, 2011 and January 2, 2011, an aggregate principal amount of $0.1 million of the 0.75% debentures remain issued and outstanding. Interest on the 0.75% debentures is payable on February 1 and August 1 of each year. The 0.75% debentures mature on August 1, 2027. Holders of the 0.75% debentures could require us to repurchase all or a portion of their debentures on each of August 1, 2015, August 1, 2020 and August 1, 2025, or if we experienced certain types of corporate transactions constituting a fundamental change, as defined in the indenture governing the 0.75% debentures. Any repurchase of the 0.75% debentures under these provisions will be for cash at a price equal to 100% of the principal amount of the 0.75% debentures to be repurchased plus accrued and unpaid interest. In addition, we could redeem the remaining 0.75% debentures on or after August 2, 2010 for cash at a redemption price equal to 100% of the principal amount of the 0.75% debentures to be redeemed plus accrued and unpaid interest.

Mortgage Loan Agreement with IFC

On May 6, 2010, our subsidiaries SunPower Philippines Manufacturing Ltd. ("SPML") and SPML Land, Inc. (“SPML Land”) entered into a mortgage loan agreement with IFC. Under the loan agreement, SPML may borrow up to $75.0 million during the first two years, and SPML is required to repay the amount borrowed, starting 2 years after the date of borrowing, in 10 equal semiannual installments over the following 5 years. SPML is required to pay interest of LIBOR plus 3% per annum on outstanding borrowings, and a front-end fee of 1% on the principal amount of borrowings at the time of borrowing, and a commitment fee of 0.5% per annum on funds available for borrowing and not borrowed. SPML may prepay all or a part of the outstanding principal, subject to a 1% prepayment premium. On June 9, 2011, SPML borrowed $25.0 million under the loan agreement. As of July 3, 2011 and January 2, 2011, SPML had $75.0 million and $50.0 million, respectively, outstanding under the mortgage loan agreement which is classified as "Long-term debt" in our Condensed Consolidated Balance Sheets. As of July 3, 2011, no additional amounts remained available for borrowing under the loan agreement.

Loan Agreement with CEDA

On December 29, 2010, we borrowed from CEDA the proceeds of the $30.0 million aggregate principal amount of CEDA's tax-exempt Recovery Zone Facility Revenue Bonds (SunPower Corporation - Headquarters Project) Series 2010 (the "Bonds") maturing April 1, 2031 under a loan agreement with CEDA. Certain of our obligations under the loan agreement were contained in a promissory note dated December 29, 2010 issued by us to CEDA, which assigned the promissory note, along with all right, title and interest in the loan agreement, to Wells Fargo, as trustee, with respect to the Bonds for the benefit of the holders of the Bonds. The Bonds initially bore interest at a variable interest rate (determined weekly), but at our option were converted into fixed-rate bonds (which include covenants of, and other restrictions on, us). As of January 2, 2011, the $30.0 million aggregate principal amount of the Bonds was classified as "Short-term debt" in our Condensed Consolidated Balance Sheets due to the potential for the Bonds to be redeemed or tendered for purchase on June 22, 2011 under the reimbursement agreement. On June 1, 2011, the Bonds were converted to bear interest at a fixed rate of 8.50% to maturity and the holders' rights to tender the Bonds prior to their stated maturity was removed. As such, the $30.0 million aggregate principal amount of the Bonds were reclassified as "Long-term debt" in our Condensed Consolidated Balance sheet as of July 3, 2011.

Revolving Credit Facility with Société Générale

On November 23, 2010, we entered into a revolving credit facility with Société Générale under which we may borrow up to Euro 75.0 million from Société Générale. Interest periods are monthly. On May 25, 2011 we entered into an amendment of our revolving credit facility with Société Générale which extended the maturity date to November 23, 2011. Under the amended facility we may borrow up to Euro 75.0 million of which amounts borrowed may be repaid and reborrowed until October 23, 2011. We are required to pay interest on outstanding borrowings of (1) EURIBOR plus 3.25% per annum for advances outstanding before May 26, 2011, and (2) EURIBOR plus 2.70% for advances outstanding on May 26, 2011 or thereafter; a front-end fee of 0.50% on the available borrowing; and a commitment fee of 1% per annum on funds available for borrowing and not borrowed.

As of both July 3, 2011 and January 2, 2011, an aggregate amount of Euro 75.0 million, or approximately $108.6 million and $98.0 million, respectively, based on the exchange rates as of those dates, remain outstanding under the revolving credit facility which is classified as "Short-term debt" in our Condensed Consolidated Balance Sheets.

October 2010 Collateralized Revolving Credit Facility with Union Bank

On October 29, 2010, we entered into a revolving credit facility with Union Bank. Until the maturity date of October 28, 2011, we were able to borrow up to $70.0 million under the revolving credit facility. Amounts borrowed could be repaid and reborrowed until October 28, 2011. As collateral under the revolving credit facility, we pledged our holding of 19.4 million shares of common stock of Woongjin Energy to Union Bank.

We were required to pay interest on outstanding borrowings of, at our option, (1) LIBOR plus 2.75% or (2) 1.75% plus a base rate equal to the highest of (a) the federal funds rate plus 1.5%, (b) Union Bank's prime rate as announced from time to time, or (c) LIBOR plus 1.0%, per annum; a front-end fee of 0.40% on the available borrowing; and a commitment fee of 0.25% per annum on funds available for borrowing and not borrowed.

As of January 2, 2011, an aggregate amount of $70.0 million was outstanding under the revolving credit facility which was classified as "Short-term debt" in our Condensed Consolidated Balance Sheet. We repaid $70.0 million of outstanding borrowings plus fees in the second quarter of fiscal 2011. On June 20, 2011, we terminated the facility and the pledge on all shares of Woongjin Energy we held .

July 2011 Uncollateralized Revolving Credit Facility with Union Bank

On July 18, 2011, we entered into a Credit Agreement with Union Bank under which we may borrow up to $50.0 million from Union Bank until October 28, 2011. Amounts borrowed may be repaid and reborrowed until October 28, 2011. All outstanding amounts under the facility are due and payable on October 31, 2011.

We are required to pay interest on outstanding borrowings of, at our option, (1) LIBOR plus 2.75% or (2) 1.75% plus a base rate equal to the higher of (a) the federal funds rate plus 0.50%, or (b) Union Bank's reference rate as announced from time to time; a front-end fee of 0.15% on the total amount available for borrowing; and a commitment fee of 0.50% per annum, calculated on a daily basis, on funds available for borrowing and not borrowed. The revolving credit facility will be terminated, and amounts due thereunder must be prepaid, upon the closing of any new domestic credit facility in our favor.

April 2010 Letter of Credit Facility with Deutsche Bank

On April 12, 2010, we entered into a letter of credit facility with Deutsche Bank, as issuing bank and as administrative agent, and certain financial institutions. On May 27, 2011, we received an additional $25.0 million commitment from a financial institution under the Deutsche Bank letter of credit facility, which increased the aggregate amount of letters of credit that may be issued under the facility from $375.0 million to $400.0 million. The letter of credit facility provides for the issuance, upon our request, of letters of credit by the issuing bank in order to support our obligations. Each letter of credit issued under the letter of credit facility must have an expiration date no later than the earlier of the second anniversary of the issuance of that letter of credit and April 12, 2013, except that: (i) a letter of credit may provide for automatic renewal in one-year periods, not to extend later than April 12, 2013; and (ii) up to $100.0 million in aggregate amount of letters of credit, if cash-collateralized, may have expiration dates no later than the fifth anniversary of the closing of the letter of credit facility. For outstanding letters of credit under the letter of credit facility we pay a fee of 0.50% plus any applicable issuances fees charged by its issuing and correspondent banks. We also pay a commitment fee of 0.20% on the unused portion of the facility. We are required to collateralize at least 50% of the dollar-denominated obligations under the issued letters of credit, and 55% of the non-dollar-denominated obligations under the issued letters of credit, with restricted cash on our Condensed Consolidated Balance Sheet.

As of July 3, 2011, letters of credit issued under the letter of credit facility totaled $378.1 million and were collateralized by short-term and long-term restricted cash of $92.2 million and $108.3 million, respectively, on our Condensed Consolidated Balance Sheet. As of January 2, 2011, letters of credit issued under the letter of credit facility totaled $326.9 million and were collateralized by short-term and long-term restricted cash of $55.7 million and $118.3 million, respectively, on our Condensed Consolidated Balance Sheet.

On August 9, 2011, we terminated the April 2010 letter of credit facility agreement with Deutsche Bank subsequent to the establishment of the August 2011 letter of credit facility agreement as described below. All outstanding letters of credit under the April 2010 letter of credit facility were transferred to the August 2011 letter of credit facility and $197.8 million in collateral as of August 9, 2011 was released.

August 2011 Letter of Credit Facility with Deutsche Bank

On August 9, 2011, we entered into a letter of credit facility agreement with Deutsche Bank, as issuing bank and as administrative agent, and certain financial institutions. Payment of obligations under the letter of credit facility is guaranteed by Total S.A. pursuant to the Credit Support Agreement. The letter of credit facility provides for the issuance, upon our request, of letters of credit by the issuing banks thereunder in order to support certain of our obligations, in an aggregate amount not to exceed (a) $645.0 million for the period from August 9, 2011 through December 31, 2011; (b) $725.0 million for the period from January 1, 2012 through December 31, 2012; and (c) $771.0 million for the period from January 1, 2013 through

December 31, 2013. Aggregate letter of credit amounts may be increased upon the agreement of the parties but may not exceed (i) $878.0 million for the period from January 1, 2014 through December 31, 2014; (ii) $936.0 million for the period from January 1, 2015 through December 31, 2015; and (iii) $1.0 billion for the period from January 1, 2016 through June 28, 2016.

Each letter of credit issued under the letter of credit facility must have an expiration date no later than the second anniversary of the issuance of that letter of credit, provided that up to 15% of the outstanding value the letters of credit may have an expiration date of between two and three years from the date of issuance.

Liquidity

As of July 3, 2011, we had unrestricted cash and cash equivalents of $245.8 million as compared to $605.4 million as of January 2, 2011, a decrease of $359.6 million attributable to the decline in European government incentives, primarily in Italy. The resulting negative effect on the market for solar systems in Europe which has driven down demand and average selling prices for our solar panels thereby increasing inventories on hand and reducing our cash and cash equivalents. Our cash balances are held in numerous locations throughout the world, including substantial amounts held outside of the United States. The amounts held outside of the United States representing the earnings of our foreign subsidiaries, if repatriated to the United States under current law, would be subject to United States federal and state tax less applicable foreign tax credits. Repatriation of earnings that have not been subjected to U.S. tax and which have been indefinitely reinvested outside the U.S. could result in additional United States federal income tax payments in future years.

On July 5, 2010, we formed our AUOSP joint venture. Under the terms of the joint venture agreement, our subsidiary SunPower Technology, Ltd. (“SPTL") and AU Optronics Singapore Pte. Ltd. ("AUO") each own 50% of AUOSP. Both SPTL and AUO are obligated to provide additional funding to AUOSP in the future. During the second half of fiscal 2010, we, through SPTL, and AUO each contributed total initial funding of $27.9 million. In the first half of fiscal 2011, both SPTL and AUO each contributed an additional $50.0 million in funding and will each contribute additional amounts in fiscal 2011 through 2014 amounting to $271.0 million, or such lesser amount as the parties may mutually agree (see the Contractual Obligations table below). In addition, if AUOSP, SPTL or AUO requests additional equity financing to AUOSP, then SPTL and AUO will each be required to make additional cash contributions of up to $50.0 million in the aggregate. Further, we could in the future guarantee certain financial obligations of AUOSP. On November 5, 2010, we entered into an agreement with AUOSP under which we will resell to AUOSP polysilicon purchased from a third-party supplier and AUOSP will provide prepayments to us related to such polysilicon, which we will use to satisfy prepayments owed to the third-party supplier. No prepayments were paid to us by AUOSP during the first half of fiscal 2011. Prepayments to be paid to us by AUOSP in fiscal 2011 and 2012 total $60 million and $40 million, respectively.

Amounts borrowed under the revolving credit facility with Société Générale are due on November 23, 2011. As of both July 3, 2011 and January 2, 2011, an aggregate amount of Euro 75.0 million, or approximately $108.6 million and $98.0 million, respectively, based on the exchange rates as of those dates, remain outstanding under the revolving credit facility which is classified as "Short-term debt" in our Condensed Consolidated Balance Sheets.

Under our new revolving credit facility with Union Bank, under which we may borrow up to $50.0 million from until October 28, 2011, all outstanding amounts under the facility are due and payable on October 31, 2011.

Holders of our 1.25% debentures may require us to repurchase all or a portion of their 1.25% debentures on February 15, 2012. Any repurchase of our 1.25% debentures pursuant to these provisions will be for cash at a price equal to 100% of the principal amount of the 1.25% debentures to be repurchased plus accrued and unpaid interest. In addition, we may redeem some or all of our 1.25% debentures on or after February 15, 2012 for cash at a redemption price equal to 100% of the principal amount of the 1.25% debentures to be redeemed plus accrued and unpaid interest. As of July 3, 2011, the 1.25% debentures were reclassified from long-term liabilities to short-term liabilities within "Convertible debt, current portion" in the Condensed Consolidated Balance Sheet as the holders may require us to repurchase all of their 1.25% debentures on February 15, 2012.

If the closing price of our class A common stock equaled or exceeded 125% of the initial effective conversion price governing the 1.25% debentures for 20 out of 30 consecutive trading days in the last month of any fiscal quarter, then holders of the 1.25% debentures would have the right to convert the debentures into cash and shares of our class A common stock on any day in the following fiscal quarter. Because the closing price of our class A common stock on at least 20 of the last 30 trading days during the fiscal quarter ending July 3, 2011 and January 2, 2011 did not equal or exceed $70.94, or 125% of the applicable conversion price for our 1.25% debentures, holders of the 1.25% debentures are and were unable to exercise their right to convert the debentures, based on the market price conversion trigger, on any day in the first and third quarters of fiscal 2011. Accordingly, we classified our 1.25% debentures as long-term liabilities in our Condensed Consolidated Balance Sheet as of January 2, 2011. Due to the holders' ability to require us to repurchase all of their 1.25% debentures on February 15, 2012, as

described above, we reclassified the 1.25% debentures as short-term liabilities in our Condensed Consolidated Balance Sheet as of July 3, 2011.

In addition, the holders of our 1.25% debentures would be able to exercise their right to convert the debentures during the five consecutive business days immediately following any five consecutive trading days in which the trading price of our 1.25% debentures is less than 98% of the average closing sale price of a share of class A common stock during the five consecutive trading days, multiplied by the applicable conversion rate.

Under the terms of the amended warrants, we sold to affiliates of certain of the initial purchasers of the 4.50% cash convertible debentures warrants to acquire, subject to anti-dilution adjustments, up to 11.1 million shares of our class A common stock. The bond hedge and warrants described in Note 10 of Notes to the Condensed Consolidated Financial Statements represent a call spread overlay with respect to the 4.50% debentures. Assuming full performance by the counterparties, the transactions effectively reduce our potential payout over the principal amount on the 4.50% debentures upon conversion of the 4.50% debentures.

We expect total capital expenditures related to purchases of property, plant and equipment in the range of $130 million to $150 million in fiscal 2011 in order to improve our current generation solar cell manufacturing technology, leasehold improvements associated with new offices leased in San Jose, California, and other projects. In addition, we expect to invest a significant amount of capital to develop solar power systems and plants for sale to customers. The development of solar power plants can require long periods of time and substantial initial investments. Our efforts in this area may consist of all stages of development, including land acquisition, permitting, financing, construction, operation and the eventual sale of the projects. We often choose to bear the costs of such efforts prior to the final sale to a customer, which involves significant upfront investments of resources (including, for example, large transmission deposits or other payments, which may be non-refundable), land acquisition, permitting, legal and other costs, and in some cases the actual costs of constructing a project, in advance of the signing of PPAs and EPC contracts and the receipt of any revenue, much of which is not recognized for several additional months or years following contract signing. Any delays in disposition of one or more projects could have a negative impact on our liquidity.

Certain of our customers also require performance bonds issued by a bonding agency or letters of credit issued by financial institutions. Historically, obtaining letters of credit requires adequate collateral. Our April 2010 letter of credit facility with Deutsche Bank is at least 50% collateralized by restricted cash, which reduces the amount of cash available for operations. On August 9, 2011, we terminated the April 2010 letter of credit facility agreement with Deutsche Bank subsequent to the establishment of the August 2011 letter of credit facility agreement as described above. All outstanding letters of credit under the April 2010 letter of credit facility were transferred to the August 2011 letter of credit facility and $197.8 million in collateral as of August 9, 2011 was released.

We believe that our current cash, cash equivalents and cash expected to be generated from operations will be sufficient to meet our working capital and fund our committed capital expenditures over the next 12 months, including the development and construction of solar power systems and plants over the next 12 months. Certain of our revolving credit facilities are scheduled to expire and amounts borrowed thereunder are due in 2011 and we plan to negotiate new facilities or renegotiate and/or extend our existing facilities. However, there can be no assurance that our liquidity will be adequate over time. Our capital expenditures and use of working capital may be greater than we expect if we decide to make additional investments in the development and construction of solar power plants and sales of power plants and associated cash proceeds are delayed, or if we decide to accelerate increases in our manufacturing capacity internally or through capital contributions to joint ventures. We require project financing in connection with the construction of solar power plants, which financing may not be available on terms acceptable to us. In addition, we could in the future make additional investments in our joint ventures or guarantee certain financial obligations of our joint ventures, which could reduce our cash flows, increase our indebtedness and expose us to the credit risk of our joint ventures.

If our capital resources are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity securities or debt securities or obtain other debt financing; although the current economic environment could also limit our ability to raise capital by issuing new equity or debt securities on acceptable terms, and lenders may be unwilling to lend funds on acceptable terms that would be required to supplement cash flows to support operations. The sale of additional equity securities or convertible debt securities would result in additional dilution to our stockholders and may not be available on favorable terms or at all, particularly in light of the current conditions in the financial and credit markets. Additional debt would result in increased expenses and would likely impose new restrictive covenants which may be similar or different than those restrictions contained in the covenants under the letter of credit facility with Deutsche Bank, the mortgage loan agreement with IFC, the loan agreement with CEDA, the new revolving credit facility with Union Bank, the revolving credit facility with Société Générale, the 4.50% debentures, the 4.75% debentures or the 1.25% debentures. Financing arrangements, including

project financing for our solar power plants and letters of credit facilities, may not be available to us, or may not be available in amounts or on terms acceptable to us.

Contractual Obligations

The following summarizes our contractual obligations as of July 3, 2011:

		Payments Due by Period			
(In thousands)	**Total**	**2011 (remaining 6 months)**	**2012-2013**	**2014-2015**	**Beyond 2015**
Convertible debt, including interest (1)	$ 757,237	$ 12,329	$ 243,270	$ 501,638	$ —
IFC mortgage loan, including interest (2)	84,406	1,283	17,203	32,736	33,184
CEDA loan, including interest (3)	80,363	1,275	5,100	5,100	68,888
Société Générale revolving credit facility, including interest (4)	110,401	110,401	—	—	—
Future financing commitments (5)	275,940	1,900	177,270	96,770	—
Customer advances (6)	174,243	13,490	31,142	48,447	81,164
Operating lease commitments (7)	98,964	7,435	24,738	20,411	46,380
Utility obligations (8)	750		—	—	750
Non-cancellable purchase orders (9)	200,194	200,194	—	—	—
Purchase commitments under agreements (10)	5,286,383	592,542	1,309,152	1,728,968	1,655,721
Total	$ 7,068,881	$ 940,849	$ 1,807,875	$ 2,434,070	$ 1,886,087

(1) Convertible debt, including interest, relates to the aggregate of $678.7 million in outstanding principal amount of our senior convertible debentures on July 3, 2011. For the purpose of the table above, we assume that all holders of the 4.50% debentures and 4.75% debentures will hold the debentures through the date of maturity in fiscal 2015 and 2014, respectively, and all holders of the 1.25% debentures and 0.75% debentures will require us to repurchase the debentures on February 15, 2012 and August 1, 2015, respectively, and upon conversion, the values of the senior convertible debentures will be equal to the aggregate principal amount with no premiums.

(2) IFC mortgage loan, including interest, relates to the $75.0 million borrowed as of July 3, 2011. Under the loan agreement, SPML is required to repay the amount borrowed, starting 2 years after the date of borrowing, in 10 equal semiannual installments over the following 5 years. SPML is required to pay interest of LIBOR plus 3% per annum on outstanding borrowings.

(3) CEDA loan, including interest, relates to the proceeds of the $30.0 million aggregate principal amount of the Bonds. The Bonds mature on April 1, 2031. On June 1, 2011 the Bonds were converted to bear interest at a fixed rate of 8.50% through maturity.

(4) Société Générale revolving credit facility, including interest, relates to the Euro 75.0 million outstanding balance as of July 3, 2011 ($108.6 million based on the exchange rates as of July 3, 2011), and matures on November 23, 2011. Interest periods are monthly. We are required to pay interest on outstanding borrowings of EURIBOR plus 2.70% per annum on or after May 26, 2011.

(5) SPTL and AUO will contribute additional amounts to AUOSP in the second half of fiscal 2011 through 2014 amounting to $271.0 million by each shareholder, or such lesser amount as the parties may mutually agree. Further, in connection with a purchase agreement with a non-public company we will be required to provide additional financing to such party of up to $4.9 million, subject to certain conditions.

(6) Customer advances relate to advance payments received from customers for future purchases of solar power products and future polysilicon purchases.

(7) Operating lease commitments primarily relate to: (i) six solar power systems leased from Wells Fargo over minimum lease terms of up to 20 years; (ii) a 10-year lease agreement with an unaffiliated third party for our headquarters in San Jose, California starting in May 2011 and expiring in April 2021; (iii) an 11-year lease agreement with an unaffiliated

third party for our administrative, research and development offices in Richmond, California; and (iv) other leases for various office space.

(8) Utility obligations relate to our 11-year lease agreement with an unaffiliated third party for our administrative, research and development offices in Richmond, California.

(9) Non-cancellable purchase orders relate to purchases of raw materials for inventory and manufacturing equipment from a variety of vendors.

(10) Purchase commitments under agreements relate to arrangements entered into with several suppliers, including joint ventures, for polysilicon, ingots, wafers, solar cells and solar panels as well as agreements to purchase solar renewable energy certificates from solar installation owners in New Jersey. These agreements specify future quantities and pricing of products to be supplied by the vendors for periods up to 10 years and there are certain consequences, such as forfeiture of advanced deposits and liquidated damages relating to previous purchases, in the event that we terminate the arrangements. Where pricing is specified for future periods, in some contracts, we may reduce our purchase commitment under the contract if we obtain a bona fide third party offer at a price that is a certain percentage lower than the applicable purchase price in the existing contract. If market prices decrease, we intend to use such provisions to either move our purchasing to another supplier or to force the initial supplier to reduce its price to remain competitive with market pricing.

Liabilities Associated with Uncertain Tax Positions

As of July 3, 2011 and January 2, 2011, total liabilities associated with uncertain tax positions were $27.0 million and $24.9 million, respectively, and are included in “Other long-term liabilities” in our Condensed Consolidated Balance Sheets as they are not expected to be paid within the next twelve months. Due to the complexity and uncertainty associated with our tax positions, we cannot make a reasonably reliable estimate of the period in which cash settlement will be made for our liabilities associated with uncertain tax positions in other long-term liabilities, therefore, they have been excluded from the table above.

Off-Balance-Sheet Arrangements

As of July 3, 2011, we did not have any significant off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Foreign Currency Exchange Risk

Our exposure to movements in foreign currency exchange rates is primarily related to sales to European customers that are denominated in Euros. Revenue generated from European customers represented 30% and 37% of our total revenue in the three and six months ended July 3, 2011, respectively, and 56% and 58% of our total revenue as of the three and six months ended July 4, 2010, respectively. A 10% change in the Euro exchange rate would have impacted our revenue by approximately $17.8 million and $38.6 million in the three and six months ended July 3, 2011, respectively, and $21.5 million and $42.4 million in the three and six months ended July 4, 2010, respectively.

In the past, we have experienced an adverse impact on our revenue, gross margin and profitability as a result of foreign currency fluctuations. When foreign currencies appreciate against the U.S. dollar, inventories and expenses denominated in foreign currencies become more expensive. Weakening of the Korean Won against the U.S. dollar could result in a foreign currency re-measurement loss by Woongjin Energy which would in turn negatively impact our equity in earnings of the unconsolidated investee. In addition, strengthening of the Malaysian Ringgit against the U.S. dollar would increase AUOSP's liability under the facility agreement with the Malaysian government which in turn would negatively impact our equity in earnings of the unconsolidated investee. An increase in the value of the U.S. dollar relative to foreign currencies could make our solar power products more expensive for international customers, thus potentially leading to a reduction in demand, our sales and profitability. Furthermore, many of our competitors are foreign companies that could benefit from such a currency fluctuation, making it more difficult for us to compete with those companies.

We currently conduct hedging activities which involve the use of option and forward contracts to address our exposure to changes in the foreign exchange rate between the U.S. dollar and other currencies. As of July 3, 2011, we had outstanding hedge option contracts and forward contracts with aggregate notional values of $391.2 million and $328.7 million, respectively. As of January 2, 2011, we held option and forward contracts totaling $358.9 million and $534.7 million, respectively, in notional value. Because we hedge some of our expected future foreign exchange exposure, if associated revenues do not materialize we could experience losses. For example, during the first quarter of fiscal 2011, in connection with the decline in forecasted revenue surrounding the change in Italian governmental incentives, we concluded that certain previously anticipated transactions were now probable not to occur and thus we reclassified the amount held in "Accumulated other comprehensive income (loss)" in our Condensed Consolidated Balance Sheets for these transactions, which totaled a loss of $3.9 million to "Other, net" in our Condensed Consolidated Statement of Operations for the six months ended July 3, 2011. If we conclude that we have a pattern of determining that hedged forecasted transactions probably will not occur, we may no longer be able to continue to use hedge accounting in the future to reduce our exposure to movements in foreign exchange rates. Such a conclusion and change in our foreign currency hedge program could adversely impact our revenue, margins and results of operations. We cannot predict the impact of future exchange rate fluctuations on our business and operating results.

Credit Risk

We have certain financial and derivative instruments that subject us to credit risk. These consist primarily of cash and cash equivalents, restricted cash and cash equivalents, investments, accounts receivable, note receivable, advances to suppliers, foreign currency option contracts, foreign currency forward contracts, bond hedge and warrant transactions and a share lending arrangement for our class A common stock. We are exposed to credit losses in the event of nonperformance by the counterparties to our financial and derivative instruments.

We enter into agreements with vendors that specify future quantities and pricing of polysilicon to be supplied for periods up to 10 years. Under certain agreements, we are required to make prepayments to the vendors over the terms of the arrangements. As of July 3, 2011 and January 2, 2011, advances to suppliers totaled $304.5 million and $287.1 million, respectively. Two suppliers accounted for 76% and 22% of total advances to suppliers as of July 3, 2011, and 83% and 13% of total advances to suppliers as of January 2, 2011. We may be unable to recover such prepayments if the credit conditions of these suppliers materially deteriorate.

We enter into foreign currency derivative contracts and convertible debenture hedge transactions with high-quality financial institutions and limit the amount of credit exposure to any single counterparty. The foreign currency derivative contracts are limited to a time period of less than one year. We regularly evaluate the credit standing of our counterparty financial institutions.

Our bond hedge and warrant transactions intended to reduce the potential cash payments upon conversion of the 4.50% debentures expire in 2015. Our bond hedge to purchase up to 8.7 million shares of our class A common stock (convertible

debenture hedge transactions intended to reduce the potential dilution upon conversion of our 4.75% debentures) expire in 2014. According to the counterparties to the warrants, the consummation of the Total Tender Offer triggered their rights to make a downward adjustment to the strike price of the warrants. We are currently in discussions with the counterparties to determine the appropriate adjustments, if any, to the warrants. Please see "*Conversion of our outstanding 1.25% and 4.75% debentures, our warrants related to our outstanding 4.50% and 4.75% debentures, and future substantial issuances or dispositions of our class A or class B common stock or other securities, could dilute ownership and earnings per share or cause the market price of our stock to decrease.*" in "Part I. Item 1A: Risk Factors" in the fiscal 2010 Form 10-K.

Concurrent with the offering of the 0.75% debentures, we lent 1.8 million shares of our class A common stock to Credit Suisse International ("CSI"), an affiliate of Credit Suisse Securities (USA) LLC ("Credit Suisse"), one of the underwriters of the 0.75% debentures, for a nominal lending fee of $0.001 per share. Physical settlement of the shares is required when the arrangement is terminated which is anticipated to occur on February 15, 2012 when the holders of the 1.25% debentures may require us to repurchase all of their 1.25% debentures. If Credit Suisse or its affiliates, including CSI, were to file bankruptcy or commence similar administrative, liquidating, restructuring or other proceedings, we may be unable to recover the 1.8 million shares loaned to CSI.

Interest Rate Risk

We are exposed to interest rate risk because many of our customers depend on debt financing to purchase our solar power systems. An increase in interest rates could make it difficult for our customers to obtain the financing necessary to purchase our solar power systems on favorable terms, or at all, and thus lower demand for our solar power products, reduce revenue and adversely impact our operating results. An increase in interest rates could lower a customer's return on investment in a system or make alternative investments more attractive relative to solar power systems, which, in each case, could cause our customers to seek alternative investments that promise higher returns or demand higher returns from our solar power systems, reduce gross margin and adversely impact our operating results. This risk is significant to our business because our sales model is highly sensitive to interest rate fluctuations and the availability of credit, and would be adversely affected by increases in interest rates or liquidity constraints.

Our interest expense would increase to the extent interest rates rise in connection with our variable interest rate borrowings. In addition, lower interest rates have an adverse impact on our interest income. Our investment portfolio, which consists of $358.3 million in money market funds as of July 3, 2011, include a variety of financial instruments that exposes us to interest rate risk. Due to the relatively short-term nature of our investment portfolio, we do not believe that an immediate 10% increase in interest rates would have a material effect on the fair market value of our money market funds. Since we believe we have the ability to liquidate substantially all of this portfolio, we do not expect our operating results or cash flows to be materially affected to any significant degree by a sudden change in market interest rates on our investment portfolio.

Equity Price Risk involving Minority Investments in Joint Ventures and Other Non-Public Companies

Our investments held in joint ventures and other non-public companies expose us to equity price risk. As of July 3, 2011 and January 2, 2011, investments of $173.7 million and $116.4 million, respectively, are accounted for using the equity method, and $6.4 million as of both dates are accounted for using the cost method. These strategic investments in third parties are subject to risk of changes in market value, which if determined to be other-than-temporary, could result in realized impairment losses. We generally do not attempt to reduce or eliminate our market exposure in equity and cost method investments. We monitor these investments for impairment and record reductions in the carrying values when necessary. Circumstances that indicate an other-than-temporary decline include the valuation ascribed to the issuing company in subsequent financing rounds, decreases in quoted market prices and declines in operations of the issuer. There can be no assurance that our equity and cost method investments will not face risks of loss in the future.

Interest Rate Risk and Market Price Risk Involving Convertible Debt

The fair market value of our 4.75%, 4.50%, 1.25% and 0.75% convertible debentures is subject to interest rate risk, market price risk and other factors due to the convertible feature of the debentures. The fair market value of the debentures will generally increase as interest rates fall and decrease as interest rates rise. In addition, the fair market value of the debentures will generally increase as the market price of our class A common stock increases and decrease as the market price of our class A common stock falls. The interest and market value changes affect the fair market value of the debentures but do not impact our financial position, cash flows or results of operations due to the fixed nature of the debt obligations except to the extent increases in the value of our class A common stock may provide the holders of our 4.50% debentures, 1.25% debentures and/or 0.75% debentures the right to convert such debentures into cash in certain instances. The aggregate estimated fair value of the 4.75% debentures, 4.50% debentures, 1.25% debentures and 0.75% debentures was $719.2 million and $633.7 million as of July 3, 2011 and January 2, 2011, respectively, based on quoted market prices as reported by an independent pricing source. A 10% increase in quoted market prices would increase the estimated fair value of our then-outstanding debentures to $791.1 million and $697.1 million as of July 3, 2011 and January 2, 2011, respectively, and a 10% decrease in the quoted market prices would decrease the estimated fair value of our then-outstanding debentures to $647.3 million and $570.4 million as of July 3, 2011 and January 2, 2011, respectively.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to provide reasonable assurance that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management is required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure control and procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of July 3, 2011 at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

We regularly review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating activities, and migrating processes.

There were no changes in our internal control over financial reporting that occurred during our latest fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The disclosure under "Legal Matters" in *"Note 8. Commitments and Contingencies"* in *"Part I. Financial Information, Item 1. Financial Statements: Notes to Condensed Consolidated Financial Statements"* of this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 1A: Risk Factors

In addition to the risk factors set forth below and other information set forth in this report, readers should carefully consider the risk factors discussed in *"Part I. Item 1A: Risk Factors"* in our Annual Report on Form 10-K for the fiscal year ended January 2, 2011, which could materially affect our business, financial condition or future results. The risks described below are risks that have arisen since we filed our Annual Report on Form 10-K for the fiscal year ended January 2, 2011 or other material updates to risk factors contained in such Annual Report on Form 10-K. The risks described in our Annual Report on Form 10-K and below are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

Risks Related to Our Operations

We may not fully realize the anticipated benefits of our relationship with Total.

We and Total S.A. ("Parent"), parent of Total Gas & Power USA SAS ("Total") have entered into a Credit Support Agreement under which Parent has agreed to enter into one or more guarantee agreements with banks providing letter of credit facilities to us in support of certain of our businesses and other permitted purposes. Parent will guarantee the payment to the applicable issuing bank of our obligation to reimburse a draw on a letter of credit and pay interest thereon in accordance with the letter of credit facility between such bank and us. In consideration for the commitments of Parent, we are required to pay Parent a guarantee fee for each letter of credit that is the subject of a guaranty, starting at 1% and increasing to 2.35% in the fifth year following the completion of the tender offer.

We and Total have also entered into a Research & Collaboration Agreement that establishes a framework under which we may engage in long-term research and development collaboration with Total. The Research & Collaboration Agreement is expected to encompass a number of different projects, with a focus on advancing technologies in the area of photovoltaics.

We may not realize the expected benefits of these agreements in a timely manner, or at all. The Credit Support Agreement can provide guarantees to our letter of credit facility, but not our other indebtedness. As the guarantee fee goes up over time, it may not be price competitive for us to continue to utilize the guarantee under the Credit Support Agreement and we may choose not to do so, which may cause our lenders to seek cash collateral. If the credit quality of Parent were to deteriorate, then the guarantees would not be as beneficial to our lenders, which could reduce their willingness to lend to us and raise our costs of borrowing. We could incur additional expenses related to the Credit Support Agreement, especially relating to the guarantee fee.

We may have difficulties in fully leveraging the research and development efforts of Total while protecting our intellectual property rights and our long term strategic interests. Further, the collaboration envisioned by the parties from the Research & Collaboration Agreement could be subject to governmental controls that could limit the full set of benefits expected by us and Total.

In addition, we are a U.S. high growth, innovative technology and alternative energy company, and the differences in corporate culture between us and that of Total may prevent us from fully realizing the anticipated benefits from our relationship with Total. If we have a potential conflict with Total, the resolution may be less favorable to us than if we were dealing with an unaffiliated party. Such disagreements may relate to any determination with respect to mergers and other business combinations, our acquisition or disposition of assets, our financing activities, allocation of business opportunities, employee retention and recruiting.

Total's ownership of our common stock may adversely affect our relationship with our customers, suppliers, lenders and partners, and adversely affect our ability to attract and retain key employees.

Total's majority ownership of our common stock may cause current or potential customers, suppliers and partners to delay or reevaluate entering into agreements with us, which could negatively affect our business. Customers, suppliers, lenders and partners may also seek to change existing agreements with us as a result of Total's ownership in our common stock. Any delay or reevaluation of those decisions or changes in existing agreements could materially impact our business. The significant influence of Total over our Board of Directors may adversely affect our relationship with our customers, suppliers, lenders and partners. Similarly, current and prospective employees may experience uncertainty about their future roles with our company, or may be uncomfortable with the cultural fit between the two companies. This may adversely affect our ability to attract and retain key management, technical, sales, marketing, and operations personnel.

A change in our anticipated foreign exchange transactions could affect the accounting of our foreign currency hedging program and adversely impact our revenues, margins, and results of operations.

We have an active hedging program designed to reduce our exposure to movements in foreign currency exchange rates. As a part of this program, we designate certain derivative transactions as effective cash flow hedges of anticipated foreign currency revenues and record the effective portion of changes in the fair value of such transactions in "Accumulated other comprehensive income (loss)" in our Condensed Consolidated Balance Sheets until the anticipated revenues have occurred, at which point the associated income or loss would be recognized in revenue. In the first quarter of fiscal 2011, in connection with the decline in forecasted revenue surrounding the change in Italian governmental incentives, we reclassified an amount held in "Accumulated other comprehensive income (loss)" to "Other, net" in our Condensed Consolidated Statement of Operations for certain previously anticipated transactions which did not occur or were now probable not to occur, which totaled a loss of $3.9 million. If we conclude that we have a pattern of determining that hedged forecasted transactions probably will not occur, we may no longer be able to continue to use hedge accounting in the future to reduce our exposure to movements in foreign exchange rates. Such a conclusion and change in our foreign currency hedge program could adversely impact our revenue, margins and results of operations.

Risks Related to Our Debt and Equity Securities

The completion of the Total tender offer means that Total holds a majority of the shares of our common stock, and our common stock could be more thinly traded, which may adversely affect the liquidity and value of our common stock.

Following the consummation of the tender offer on June 21, 2011, Total holds approximately 60% of our class A common stock and 60% of our class B common stock. Pursuant to the Affiliation Agreement, the Board of Directors of SunPower expanded to eleven members, and six designees from Total joined our board on July 1, 2011, giving Total majority control of our Board. As a result, subject to the restrictions in the Affiliation Agreement, Total possesses significant influence and control over our affairs. Our stockholders have reduced ownership and voting interest in our company following the tender offer and, as a result, have less influence over the management and policies of our company than they exercised previously. As long as Total controls us, the ability of our other stockholders to influence matters requiring stockholder approval is limited. Total's stock ownership and relationships with members of our Board of Directors could have the effect of preventing minority stockholders from exercising significant control over our affairs, delaying or preventing a future change in control, impeding a merger, consolidation, takeover or other business combination or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, limiting our financing options. These factors in turn could adversely affect the market price of our common stock or prevent our stockholders from realizing a premium over the market price of our common stock. The Affiliation Agreement limits Total and any member of the Total Group from effecting, seeking, or entering into discussions with any third party regarding any transaction that would result in the Total Group beneficially owning our shares in excess of certain thresholds during a standstill period. The Affiliation Agreement also imposes certain limitations on the Total Group's ability to seek to effect a tender offer or merger to acquire 100% of our outstanding voting power. Such provisions may not be successful in preventing the Total Group from engaging in transactions which further increase their ownership and negatively impact the price of our common stock. In addition, the market for our common stock may become less liquid and more thinly traded as a result of the transaction. The lower number of shares available to be traded could result in greater volatility in the price of our common stock and affect our ability to raise capital on favorable terms in the capital markets.

Our class A common stock and class B common stock may remain as separate classes for an indefinite period of time, and difference in trading history, voting rights and other factors may continue to result in different market values for shares of our class A and our class B common stock. The elimination of our dual-class structure could result in substantial tax liability for which we are obligated to indemnify Cypress Semiconductor Corporation (“Cypress”).

In the Tender Offer Agreement with Total, we agreed that, subject to our receipt of a tax opinion of counsel reasonably satisfactory to Total, and if applicable, reasonably satisfactory to Cypress (“Tax Opinion”), regarding the effect of reclassifying our class A common stock and class B common stock as one class of common stock on a one-for-one basis (the "Reclassification"), we will hold a meeting of stockholders to approve such Reclassification (through an amendment of our restated certificate of incorporation) promptly following the closing of the tender offer, but in no event later than the six month anniversary of the closing of the tender offer. Total has agreed to vote all common stock acquired in the tender offer in favor of the Reclassification. Prior to the Reclassification, if any, class B common stock is entitled to eight votes per share and the class A common stock is entitled to one vote per share. Among other changes to our restated certificate of incorporation which eliminates the dual-class structure, following the reclassification, each share of common stock will have only one vote per share. The Reclassification could be delayed for an indefinite amount of time if we do not receive the Tax Opinion, or if Total

fails to vote its shares in favor of the Reclassification as required by the Tender Offer Agreement.

Our class A and class B common stock historically have had different trading histories, and our class B common stock has consistently maintained lower trading prices compared to the class A common stock following our spin-off from Cypress on September 28, 2008. This may be caused by the lack of a long trading history and lower trading volume of the class B common stock, compared to the class A common stock, as well as other factors. If the Reclassification does not occur, our restated certificate of incorporation will continue to impose certain limitations on the rights of holders of class B common stock to vote the full number of their shares. If the Reclassification does not occur, our class B common stock may experience lower trading prices compared to the class A common stock.

We entered into an Amended Tax Sharing Agreement with Cypress in August 2008 in connection with its distribution of all of the shares of Class B common stock it held at the time to its stockholders in the form of a pro rata dividend intended to be tax-free (the “spin-off”). Under this agreement, we agreed to indemnify Cypress for taxes and related losses if the spin-off were deemed to be taxable due to, among other things, any recapitalization involving our Class B common stock, including the Reclassification. In the event the Reclassification does result in the spin-off being treated as taxable, we could face substantial liabilities as a result of our obligations under the Amended Tax Sharing Agreement.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following table sets forth all purchases made by or on behalf of us or any "affiliated purchaser," as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, of shares of our class A common stock during each of the indicated periods.

Period	Total Number of Shares Purchased (in thousands) (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Publicly Announced Plans or Programs
April 4, 2011 through May 1, 2011	2	$ 16.58	—	—
May 2, 2011 through June 29, 2011	42	$ 21.23	—	—
June 30, 2011 through July 3, 2011	26	$ 19.07	—	—
	70	$ 20.29	—	—

(1) The total number of shares purchased includes only shares surrendered to satisfy tax withholding obligations in connection with the vesting of restricted stock issued to employees.

Item 6. Exhibits

Exhibit Number	Description
2.1	Tender Offer Agreement, dated April 28, 2011, between SunPower Corporation and Total Gas & Power USA, SAS (incorporated by reference to Exhibit 2.1 of Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2011).
2.2	Amendment to Tender Offer Agreement, dated June 7, 2011, between SunPower Corporation and Total Gas & Power USA, SAS (incorporated by reference to Exhibit 2.1 of Registrant's Current Report on Form 8-K filed with the Securities and Exchanged Commission on June 7, 2011).
3.1	By-laws of SunPower Corporation, as amended and restated on June 14, 2011 (incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 15, 2011).
4.1	Registration Rights Agreement, dated April 28, 2011, between SunPower Corporation and Total Gas & Power USA, SAS (incorporated by reference to Exhibit 10.6 of Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2011).
4.2	Amendment to Rights Agreement, dated April 28, 2011, by and between SunPower Corporation and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2011).
4.3	Amendment No. 2 to Rights Agreement, dated June 14, 2011, by and between SunPower Corporation and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.1 of Registrant's Current Report on Form 8-K filed with the Securities and Exchanged Commission on June 15, 2011).
10.1*	First Amendment and Consent to Credit Agreement, dated April 19, 2011, by and among SunPower Corporation, the Guarantors party thereto, Union Bank, N.A. as Administrative Agent, and other Lenders party thereto.
10.2*	Second Amendment to Credit Agreement, dated April 29, 2011, by and among SunPower Corporation, the Guarantors party thereto, Union Bank, N.A. as Administrative Agent, and the other Lenders party thereto.
10.3*	Third Amendment to Credit Agreement, dated May 11, 2011, by and among SunPower Corporation, the Guarantors party thereto, union Bank, N.A. as Administrative Agent, and the other Lenders party thereto.
10.4*	Second Share Kun Pledge Agreement, dated April 27, 2010, by and among SunPower Corporation, the Financial Institutions named therein as Pledgees, and union Bank, N.A., as Administrative Agent.
10.5	Tender Offer Agreement Guaranty, dated April 27, 2010, between SunPower Corporation and Total S.A. (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2011).
10.6	Credit Support Agreement, dated April 28, 2011, between SunPower Corporation and Total S.A.(incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2011).
10.7	Amendment to Credit Support Agreement, dated June 7, 2011, between SunPower Corporation and Total S.A. (incorporated by reference to Exhibit 10.1 of Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 7, 2011).
10.8	Affiliation Agreement, dated April 28, 2011. between SunPower Corporation and Total Gas & Power USA, SAS (incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2011).
10.9	Amendment to Affiliation Agreement, dated June 7, 2011, between SunPower Corporation and Total Gas & Power USA, SAS (incorporated by reference to Exhibit 10.2 of Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 7, 2011).
10.10	Affiliation Agreement Guaranty, dated April 28, 2011, between SunPower Corporation and Total S.A. (incorporated by reference to Exhibit 10.4 of Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2011).
10.11	Research & Collaboration Agreement, dated April 28, 2011, between SunPower Corporation and Total Gas & Power USA, SAS (incorporated by reference to Exhibit 10.5 of Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2011).
10.12	Amendment to Research & Collaboration Agreement, dated June 7, 2011, between SunPower Corporation and Total Gas & Power USA, SAS (incorporated by reference to Exhibit 10.3 of Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 7, 2011).

10.13*+	Form of Retention Agreement, dated May 20, 2011, by and between SunPower Corporation and certain executive officers.
10.14*†	Amendment No. 1 to Euro 75,000,000 Revolving Credit Agreement, dated May 25, 2011, among SunPower Corporation, SunPower Corporation Malta Holdings Limited, and Société Générale, Milan Branch.
10.15*	New Bank Joinder Agreement, dated May 27, 2011, by and among SunPower Corporation, Deutsche Bank AG New York Branch, as Administrative Agent, and Credit Agricole Corporate and Investment Bank.
10.16*	First Supplement to Loan Agreement, dated June 1, 2011, by and between California Enterprise Development Authority and SunPower Corporation, relating to $30,000,000 California Enterprise Development Authority Tax Exempt Recovery Zone Facility Revenue Bonds (SunPower Corporation - Headquarters Project) Series 2010.
10.17*+	Outside Director Compensation Policy, as amended on June 15, 2011.
31.1*	Certification by Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a).
31.2*	Certification by Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a).
32.1*	Certification Furnished Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*^	XBRL Instance Document.
101.SCH*^	XBRL Taxonomy Schema Document.
101.CAL*^	XBRL Taxonomy Calculation Linkbase Document.
101.LAB*^	XBRL Taxonomy Label Linkbase Document.
101.PRE*^	XBRL Taxonomy Presentation Linkbase Document.
101.DEF*^	XBRL Taxonomy Definition Linkbase Document.

Exhibits marked with (+) are director and officer compensatory arrangements.

Exhibits marked with a cross (†) are subject to a request for confidential treatment filed with the Securities and Exchange Commission.

Exhibits marked with an asterisk (*) are filed herewith.

Exhibits marked with a carrot (^) are XBRL (Extensible Business Reporting Language) information furnished and not filed herewith, are not a part of a registration statement or Prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise are not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

SUNPOWER CORPORATION

Dated: August 9, 2011

By: /s/ DENNIS V. ARRIOLA

Dennis V. Arriola
Executive Vice President and
Chief Financial Officer

Index to Exhibits

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Exhibit 10.1

FIRST AMENDMENT AND CONSENT TO CREDIT AGREEMENT

This First Amendment and Consent to Credit Agreement (this "Amendment"), is entered into as of April 19, 2011 (the "First Amendment Effective Date"), by and among SunPower Corporation, a Delaware corporation (the "Borrower"), SunPower Corporation, Systems, a Delaware corporation ("SCS"), SunPower North America, LLC, a Delaware limited liability company (together with SCS, each a "Guarantor," and collectively, the "Guarantors"; the Borrower and the Guarantors being referred to herein, individually, as a "Loan Party" and collectively, as the "Loan Parties"), Union Bank, N.A., as administrative agent for the Lenders (as defined below) (in such capacity, the "Agent"), and the several financial institutions from time to time party to the Credit Agreement (as defined below) as lenders (the "Lenders").

BACKGROUND

A. The Loan Parties, the Agent and the Lenders are parties to that certain Credit Agreement, dated as of October 29, 2010 (as amended, modified, supplemented, extended or restated from time to time, the "Credit Agreement"), pursuant to which the Lenders have provided a revolving credit facility to the Borrower. Each capitalized term used herein, that is not defined herein, shall have the meaning ascribed thereto in the Credit Agreement.

B. To induce the Lenders to extend credit to the Borrower, each Guarantor has unconditionally guaranteed the payment and performance of all of the Borrower's obligations to the Agent and the Lenders (the provisions of Article IV of the Credit Agreement and each other provision thereof applicable to the Guarantors, as amended, modified, supplemented, extended or restated, being referred to herein as, the "Guaranty").

C. The Borrower has notified the Agent and the Lenders that: (i) it desires to sell to a non-affiliated third party one hundred percent (100%) of the Equity Interests in WJE held, directly or indirectly, by the Borrower in one or more open market transactions for fair value (the "WJE Stock Sale"), (ii) prior to or concurrent with the execution of this Amendment, the Borrower will repay, in full, all outstanding Loans, and (iii) it desires to cease borrowing under the Credit Agreement for an indefinite period of time, but otherwise have the Credit Agreement remain in full force and effect.

D. The Borrower is prohibited from entering into and effecting the WJE Stock Sale pursuant to the Credit Agreement and the other Loan Documents. The Borrower has, therefore, requested that the Lenders consent to the WJE Stock Sale and the release of the Agent's and the Lenders' respective Liens on the WJE Stock as in effect immediately prior to the First Amendment Effective Date, thereby reducing the Borrowing Base under the Credit Agreement to Zero Dollars ($0.00). Although the Lenders are under no obligation to do so, the Lenders are willing to grant such consent and amend the Credit Agreement in accordance with the terms, and subject to the conditions, set forth herein.

AGREEMENT

The parties to this Amendment, intending to be legally bound, hereby agree as follows:

1. Incorporation of Recitals. Each of the above recitals is incorporated herein as true and correct and is relied upon by the Agent and each Lender in agreeing to the terms of this Amendment.

2. Consent and Release of WJE Stock. Subject to and on the terms and conditions set forth herein, (a) the Agent and the Lenders hereby consent to the WJE Stock Sale, as required under the Credit

Agreement, and hereby agree to release their respective security interests in the Borrower's interest in the WJE Stock, and (b) the Korean Share Pledge is hereby terminated; provided, however, those provisions of that agreement that are specified as surviving that respective agreement's termination, including without limitation, the Borrower's indemnity obligations shall continue in full force and effect in accordance with the terms thereof. The Agent and the Lenders hereby authorize the Borrower to file a UCC-3 amendment to the original financing statement identifying the Borrower, as debtor, and the Agent, as secured party, filed as filing number 2010 3798109 in the Office of the Secretary of State of the State of Delaware, which amendment restates the collateral description as Exhibit A to this Amendment. The foregoing consent and agreement to release is further subject to the following limitations and is granted on the conditions that, and only so long as (A) no Event of Default shall have occurred and be continuing at the time of or resulting from the consummation of WJE Stock Sale, or any of the transactions contemplated thereby (collectively, the "WJE Stock Sale Transaction"), (B) the WJE Stock Sale Transaction is consummated in accordance with all applicable Laws, and (C) as of the effective date of the WJE Stock Sale Transaction, and each subsequent transaction undertaken in connection therewith, and after giving effect to each such transaction, the Borrower is in compliance on an actual and pro forma basis, with each of the financial covenants in the Credit Agreement.

3. No Further Loans. The Borrower acknowledges and agrees that, notwithstanding anything to the contrary in the Credit Agreement or any other Loan Document: (a) as of the First Amendment Effective Date, the Borrowing Base is, and shall thereafter remain at, Zero Dollars ($0.00), subject to the Agent's and the Lenders' written agreement, which shall be a matter of their sole and absolute discretion, to increase or amend the Borrowing Base; and (b) the Credit Agreement shall otherwise continue in full force and effect, and the Borrower shall continue to pay and perform timely its obligations thereunder, including without limitation, its obligation to pay the commitment fee required pursuant to Section 2.07(a) of the Credit Agreement (calculated with respect to the full amount of the Aggregate Revolving Commitments). The Borrower further acknowledges and agrees that as a result of the Borrowing Base being reduced to Zero Dollars ($0.00), the Borrower may not request or receive additional Loans following the First Amendment Effective Date. Neither the Agent nor any Lender shall be under any obligation to accept or receive any form of replacement Collateral for the Obligations or to amend, modify or supplement the Credit Agreement in any way whatsoever, even if doing so would create borrowing availability under the Credit Agreement.

4. Amendments to Credit Agreement.

a. Section 1.01 of the Credit Agreement is hereby amended by amending and restating the definition of "Borrowing Base" to read as follows:

"Borrowing Base" means, as of any time of determination, an amount equal to Zero Dollars ($0.00).

b. Section 1.01 of the Credit Agreement is hereby amended by amending and restating clause (j) of the definition of "Permitted Investments" to read as follows:

(j) advances to, or investments in, a Subsidiary or in Philippine Electric Corp. by the Borrower or any Subsidiary in the ordinary course of business as conducted from time to time;

c. Section 1.01 of the Credit Agreement is hereby amended by deleting the defined terms "WJE Material Adverse Change", "WJE Prepayment Event", "WJE Stock Closing Price" and "WJE Stock Value".

d. Section 1.04 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

1.04 **Exchange Rates**. Without limiting the Loan Parties' obligations under Article VII, the Administrative Agent shall from time to time calculate and determine the Exchange Rate as of any given date with respect to each Alternate Currency. Such calculations and determinations shall be binding on the Loan Parties absent manifest error.

e. Section 2.03(b)(ii) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(ii) [Deleted].

f. Section 2.04(b)(vii) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(vii) no event, circumstance or condition shall exist which reasonably could be expected to have a Material Adverse Effect;

g. Section 5.02(c) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(c) At the time any disbursement is to be made and immediately thereafter, there shall have been no event or circumstance that has had a Material Adverse Effect, as determined by the Administrative Agent in the exercise of its reasonable business judgment.

h. Section 6.20(b) and Section 6.20(c) of the Credit Agreement are hereby amended and restated in their entirety to read as follows:

(b) [Deleted].

(c) [Deleted].

i. Section 6.23 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

6.23 [**Deleted**].

j. Section 7.02(b) of the Credit Agreement is hereby amended by deleting the words “no WJE Prepayment Event has occurred,”.

k. Section 7.03(a) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(a) [Deleted].

l. Section 7.03(d)(i) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(i) any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect;

m. Section 7.12 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

7.12 [**Deleted**].

n. Section 8.05(b) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:
(b) [Deleted].

5. Amendments to Security Agreement.

a. Section 1(b) of the Security Agreement is hereby amended by deleting the defined term "Korean Share Pledge".

b. Section 2(a) of the Security Agreement is hereby amended by deleting the words "and also including the right to demand the return, delivery or transfer of share certificates for any of the Pledged Collateral from the Korean Securities Depository (the "KSD")" in clause (ii) of that section.

c. Section 3(b) of the Security Agreement is hereby amended by deleting the words "Liens created under the Korean Share Pledge,".

d. Section 4(g) of the Security Agreement is hereby amended by deleting the words "and Liens created under the Korean Share Pledge".

e. Section 4(h) of the Security Agreement is hereby amended by deleting the words ", other than that certain Shareholders Agreement, dated as of May 17, 2010 by and between Grantor and WOONGJIN HOLDINGS CO. LTD., in the form delivered to the Administrative Agent prior to the date hereof".

f. Section 7 of the Security Agreement is hereby amended by amending and restating the sixth sentence of that section to read as follows: "The Lien granted hereunder and the rights and remedies of the Administrative Agent with respect to the Liens granted hereunder are granted in conjunction with, and are in addition and supplemental to, and in no way limit or should be construed to limit, those set forth in the other Loan Documents or those which are now or hereafter available to the Administrative Agent or any Lender as a matter of law or equity."

g. Section 17 of the Security Agreement is hereby amended by deleting the words ", including the Korean Share Pledge,".

h. Schedules 1, 2, 3 and 4 to the Security Agreement are hereby amended and restated in their entirety, and replaced with Schedules 1, 2, 3 and 4 attached to this Amendment..

6. Representations and Warranties. The Borrower and each Guarantor hereby represents and warrants, as of the date of this Amendment, for the benefit of the Agent and each Lender, that:

a. the representations and warranties of each Loan Party set forth in the Credit Agreement or any other Loan Document were true and correct when made and remain true, correct and complete in all material respects as of the date hereof (except to the extent such representations and warranties expressly refer to an earlier date, in which case they are true, correct and complete in all material respects as of such earlier date); provided that the foregoing materiality qualifications shall not apply to any representations or warranties that are qualified by materiality in the text thereof;

b. the Loan Parties have the authority to execute this Amendment and the execution, delivery, and performance by the Loan Parties of this Amendment and the other documents, instruments and agreements delivered or to be delivered in connection herewith (i) are within the corporate or limited liability company powers of each Loan Party and have been duly authorized by all necessary corporate or limited liability company action on the part of each Loan Party, (ii) do not require any governmental or third party consents, except those which have been duly obtained and are in full force and effect, (iii) do not and will not conflict with any requirement of Law, any Loan Party's operating agreement, certificate or articles of incorporation, bylaws, partnership agreement, minutes or resolutions, (iv) after giving effect to this Amendment, do not result in any breach of or constitute a default under any agreement or instrument to which any Loan Party or any of their respective Subsidiaries is a party or by which they or any of their respective properties are bound, and (v) do not result in or require the creation or imposition of any mortgage, deed of trust, pledge, lien, security interest or other charge or encumbrance of any nature upon any of the assets or properties of any Loan Party;

c. this Amendment and the other instruments and agreements delivered or to be delivered by any Loan Party in connection herewith have been duly executed and delivered by each Loan Party and constitute the legal, valid, and binding obligation of each Loan Party, enforceable against such Loan Party in accordance with their respective terms, except to the extent that (i) enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws of general application affecting the rights and remedies of creditors, (ii) enforcement may be subject to general principles of equity, and (iii) the availability of the remedies of specific performance and injunctive relief may be subject to the discretion of the court before which any proceedings for such remedies may be brought;

d. no event has occurred or failed to occur that is, or, with notice or lapse of time or both would constitute, a Default, an Event of Default, or a breach or failure of any condition under any Loan Document; and

e. after giving effect to this Amendment, no Loan Party has any offset, defense, counterclaim, dispute or disagreement of any kind or nature whatsoever with respect to their respective liabilities, obligations and indebtedness arising under or in connection with any Loan Documents.

7. Conditions Precedent. The Borrower and each Guarantor understand and agree that this Amendment shall not be effective and the consent provided by the Required Lenders hereunder shall have no force or effect until each of the following conditions precedent has been satisfied, or waived in writing by the Agent (in the Agent's sole discretion):

a. Borrower, each Guarantor and the Required Lenders shall have executed and delivered to the Agent, this Amendment;

b. the Loans shall have been fully repaid together with any amounts owing due to prepayment of LIBOR Rate Loans prior to the expiration of the applicable Interest Period for such Loans, such that the Total Revolving Outstandings are reduced to Zero Dollars ($0.00);

c. The Loan Parties shall have received all other consents and waivers required pursuant to the terms of any documents or agreements relating to Indebtedness of the Loan Parties, including all consents required under the DB Facility;

d. The representations and warranties of Borrower and each Guarantor under the Credit Agreement, the other Loan Documents and this Amendment, as applicable, shall be true and correct in all material respects as of the date hereof (except to the extent such representations and warranties expressly refer to an earlier date, in which case they are true, correct and complete in all material respects as of such earlier date); provided that the foregoing materiality qualifications shall not apply to any representations or warranties that are qualified by materiality in the text thereof;

e. The Agent shall have received for the account of the Lenders, in immediately available funds, a fee in the amount of $5,000 which fee shall be non-refundable and fully earned upon receipt; and

f. The Agent shall have received in immediately available funds, all out-of-pocket costs and expenses (including reasonable attorneys' fees and costs) incurred by the Agent in connection with this Amendment and the transactions contemplated hereby and invoiced to the Borrower prior to the date on which this Amendment is otherwise to become effective; provided that the failure to invoice any such amounts to the Borrower prior to such date shall not preclude the Agent from seeking reimbursement of such amounts, or excuse the Borrower from paying or reimbursing such amounts, following the effective date of this Amendment.

8. Confirmation of Guaranty. Each Guarantor ratifies and reaffirms its obligations under the Guaranty and each and every term, condition, and provision of the Guaranty. Each Guarantor further represents and warrants that it has no defenses or claims against the Agent or any Lender that would or might affect the enforceability of the Guaranty and that the Guaranty remains in full force and effect.

9. Ratification and Confirmation of Loan Documents. Except as expressly set forth herein, the execution, delivery, and performance of this Amendment shall not alter, modify, amend, or in any way affect any of the terms, conditions, obligations, covenants, or agreements contained in the Credit Agreement or any other Loan Document, and shall not shall not operate as a waiver of any right, power, or remedy of the Agent or any Lender under the Credit Agreement or any other Loan Document. Except as expressly set forth herein, the Credit Agreement, all promissory notes, guaranties, security agreements, and all other instruments, documents and agreements entered into in connection with the Credit Agreement and each other Loan Document shall be and remain in full force and effect in accordance with their respective terms and hereby are ratified and confirmed by the Borrower and each other Loan Party in all respects.

10. Limited Consent; No Waivers. This Amendment: (a) in no way shall be deemed to be a consent or an agreement on the part of the Agent or any Lender to waive any covenant, liability or

obligation of the Borrower, any Guarantor or any third party or to waive any right, power, or remedy of the Agent or any Lender; (b) in no way shall be deemed to imply a willingness on the part of the Agent or any Lender to agree to any similar or other future consents, amendments or modifications to any of the terms and conditions of the Credit Agreement or the other Loan Documents; (c) shall not in any way, prejudice, limit, impair or otherwise affect any rights or remedies of the Agent or any Lender under the Credit Agreement or any of the other Loan Documents, including, without limitation, the Agent's or any Lender's right to demand strict performance of the Borrower's and each Guarantor's liabilities and Obligations at all times before and after the date of this Amendment; (d) in no way shall obligate the Agent or any Lender to make any future waivers, consents or modifications to the Credit Agreement or any other Loan Document; and (e) is not a continuing waiver with respect to any failure to perform any Obligation. Each Loan Party acknowledges and agrees that: (i) the Credit Agreement has not been amended or modified in any way by this Amendment, except as expressly set forth herein, (ii) neither the Agent nor any Lender waives any failure by any Loan Party to perform its Obligations under the Loan Documents, (iii) neither the Agent nor any Lender waives compliance with any obligations or undertakings under the Credit Agreement other than with respect to the WJE Stock Sale as expressly described herein, and (iv) the Agent and each Lender is relying upon each Loan Party's representations, warranties and agreements, as set forth herein and in the Loan Documents in providing this Amendment. Nothing in this Amendment shall constitute a satisfaction of the Borrower's or any Guarantor's Obligations.

11. Release. The Borrower and each Guarantor hereby, for itself, its successors, heirs, executors, administrators and assigns (each a "Releasing Party" and collectively, the "Releasing Parties"), releases, acquits and forever discharges the Agent and the Lenders, their respective directors, officers, employees, agents, attorneys, affiliates, successors, administrators and assigns ("Released Parties") of and from any and all claims, actions, causes of action, demands, rights, damages, costs, loss of service, expenses and compensation whatsoever which any Releasing Party might have because of anything done, omitted to be done, or allowed to be done by any of the Released Parties and in any way connected with this Amendment or the other Loan Documents as of the date of execution of this Amendment, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, including, without limitation, any specific claim raised by any Releasing Party, any settlement negotiations and any damages and the consequences thereof resulting or to result from the events described, referred to or inferred hereinabove ("Released Matters"). Releasing Parties each further agree never to commence, aid or participate in (except to the extent required by order or legal process issued by a court or governmental agency of competent jurisdiction) any legal action or other proceeding based in whole or in part upon the foregoing. In furtherance of this general release, Releasing Parties each acknowledges and waives the benefits of California Civil Code Section 1542 (and all similar ordinances and statutory, regulatory, or judicially created laws or rules of any other jurisdiction), which provides:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Each Releasing Party agrees that this waiver and release is an essential and material term of this Amendment and that the agreements in this paragraph are intended to be in full satisfaction of any alleged injuries or damages in connection with the Released Matters. Each Releasing Party represents and warrants that it has not purported to convey, transfer or assign any right, title or interest in any Released Matter to any other person or entity and that the foregoing constitutes a full and complete release of the Released Matters. Each Releasing Party also understands that this release shall apply to all unknown or unanticipated results of the transactions and occurrences described above, as well as those known and anticipated. Each Releasing Party has consulted with legal counsel prior to signing this release, or had an

opportunity to obtain such counsel and knowingly chose not to do so, and executes such release voluntarily, with the intention of fully and finally extinguishing all Released Matters.

12. Miscellaneous. The Borrower and each Guarantor acknowledge and agree that the representations and warranties set forth herein are material inducements to the Agent and the Lenders to deliver this Amendment. This Amendment shall be binding upon and inure to the benefit of and be enforceable by the parties hereto, and their respective permitted successors and assigns. This Amendment and the Credit Agreement shall be read together as one document. No course of dealing on the part of the Agent, the Lenders or any of their respective officers, nor any failure or delay in the exercise of any right by the Agent or the Lenders, shall operate as a waiver thereof, and any single or partial exercise of any such right shall not preclude any later exercise of any such right. The failure at any time to require strict performance by the Borrower or any Guarantor of any provision of the Loan Documents shall not affect any right of the Agent or the Lenders thereafter to demand strict compliance and performance. Any suspension or waiver of a right must be in writing signed by an officer of the Agent, and or the Lenders, as applicable. No other person or entity, other than the Agent and the Lenders, shall be entitled to claim any right or benefit hereunder, including, without limitation, the status of a third party beneficiary hereunder. This Amendment shall be governed by and construed in accordance with the laws of the State of California without reference to conflicts of law rules. If any provision of this Amendment or any of the other Loan Documents shall be determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, that portion shall be deemed severed therefrom, and the remaining parts shall remain in full force as though the invalid, illegal or unenforceable portion had never been a part thereof. This Amendment may be executed in any number of counterparts, including by electronic or facsimile transmission, each of which when so delivered shall be deemed an original, but all such counterparts taken together shall constitute but one and the same instrument.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the Borrower, the Guarantors, the Agent and the Required Lenders have caused this Amendment to be executed as of the date first written above.

The "Borrower"

SUNPOWER CORPORATION

By:/s/ Dennis Arriola
Name: Dennis Arriola
Title: EVP & Chief Financial Officer

The "Guarantors"

SUNPOWER CORPORATION, SYSTEMS

By:/s/ Dennis Arriola
Name: Dennis Arriola
Title: SVP & Chief Financial Officer

SUNPOWER NORTH AMERICA LLC
By: SunPower Corporation, its sole member

By:/s/ Dennis Arriola
Name: Dennis Arriola
Title: Chief Financial Officer

The “Agent”

UNION BANK, N.A., as Administrative Agent

By:/s/ James B. Goudy
Name: James B. Goudy
Title: Vice President

The “Lenders”

UNION BANK, N.A., as a lender

By: /s/ James B. Goudy
Name: James B. Goudy
Title: Vice President

The “Lenders”

HSBC BANK USA, NATIONAL ASSOCIATION, as a lender

By:/s/ Jason A. Huck
Name: Jason A. Huck
Title: VP Global Relationship Manager
HSBC Bank USA

DEBTOR: SUNPOWER CORPORATION

SECURED PARTY: UNION BANK, N.A., AS AGENT

EXHIBIT A

COLLATERAL DESCRIPTION ATTACHMENT TO FINANCING STATEMENT

All of the right, title and interest of SUNPOWER CORPORATION, a Delaware corporation (herein referred to as "**Debtor**"), in, to and under the following property, in each case, whether tangible or intangible, presently existing or owned or subsequently acquired, created or coming into existence and wherever located (collectively, the "**Pledged Collateral**"):

(a) the Pledged Shares and the Additional Collateral and any certificates and instruments now or hereafter representing the Pledged Shares and the Additional Collateral;

(b) all rights, remedies, interests, benefits and claims with respect to the Pledged Shares and Additional Collateral, including under any and all related agreements, instruments and other documents; and

(c) all books, records and other documentation of the Debtor related to the Pledged Shares and Additional Collateral.

As used herein, the following terms have the meanings given below:

"**Additional Collateral**" means any and all (i) additional capital stock or other equity securities or Equity Interests issued by, or interests in, the Companies, whether certificated or uncertificated, (ii) warrants, options or other rights entitling the Debtor to acquire any interest in capital stock or other equity securities of or other Equity Interests in the Companies, (iii) securities, property, interest, dividends and other payments and distributions issued or issuable as an addition to, in redemption of, in renewal or exchange for, in substitution or upon conversion of, or otherwise on account of, the Pledged Shares or such additional capital stock or other Equity Interests or other interests in the Companies, including, but not limited to, those arising from a stock dividend, stock split, reclassification, reorganization, merger, consolidation, sale of assets or other exchange of securities or any dividends or other distributions of any kind upon or with respect to the Pledged Shares or any other Pledged Collateral, and (iv) cash and non-cash proceeds, substitutions and products of the Pledged Shares or any other Pledged Collateral, and all supporting obligations, of any or all of the foregoing, in each case from time to time received or receivable by, or otherwise paid or distributed to or acquired by, the Debtor.

"**Companies**" means those Persons listed on Schedule 2 to that certain Pledge Agreement, dated as of October 29, 2010 by and between the Debtor and Union Bank, N.A., as agent (as the same may be amended, modified, supplemented, extended or restated from time to time).

"**Equity Interests**" means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein),

whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

"**Person**" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, governmental authority or other entity.

"**Pledged Shares**" means all of the issued and outstanding Equity Interests of the Companies, whether certificated or uncertificated, now existing or hereafter arising.

SCHEDULE 1

PLEDGED SHARES

Entity Type	Issuer Name	Jurisdiction of Organization	Certificate No.	Certificate Date	No. of Shares/ Type of Shares

None.

SCHEDULE 2

COMPANIES

None.

SCHEDULE 3

GRANTOR INFORMATION AND

LOCATION OF CHIEF EXECUTIVE OFFICE

Grantor's legal name: SUNPOWER CORPORATION

Grantor's address: 3939 North First Street
San Jose, California 95134
Telephone: (408) 240-5500
Facsimile: (408) 240-5400

Grantor's type of organization: Corporation

Grantor's jurisdiction of organization: Delaware

Grantor's Tax ID No.: 94-3008969

Grantor's State Organizational ID No.: 3808702

SCHEDULE 4

TRANSFER RESTRICTIONS and

SHAREHOLDERS AGREEMENTS

None.

Exhibit 10.2

SECOND AMENDMENT TO CREDIT AGREEMENT

This Second Amendment to Credit Agreement (this "Amendment"), is entered into as of April 29, 2011 (the "Second Amendment Effective Date"), by and among SunPower Corporation, a Delaware corporation (the "Borrower"), SunPower Corporation, Systems, a Delaware corporation ("SCS"), SunPower North America, LLC, a Delaware limited liability company (together with SCS, each a "Guarantor," and collectively, the "Guarantors"; the Borrower and the Guarantors being referred to herein, individually, as a "Loan Party" and collectively, as the "Loan Parties"), Union Bank, N.A., as administrative agent for the Lenders (as defined below) (in such capacity, the "Agent"), and the several financial institutions from time to time party to the Credit Agreement (as defined below) as lenders (the "Lenders").

BACKGROUND

A. The Loan Parties, the Agent and the Lenders are parties to that certain Credit Agreement, dated as of October 29, 2010, as amended by that certain First Amendment and Consent to Credit Agreement dated as of April 19, 2011 by and among the Loan Parties, the Agent and the Lenders (the "First Amendment") and as further as amended, modified, supplemented, extended or restated from time to time (collectively, the "Credit Agreement"), pursuant to which the Lenders have provided a revolving credit facility to the Borrower. Each capitalized term used herein, that is not defined herein, shall have the meaning ascribed thereto in the Credit Agreement.

B. To induce the Lenders to extend credit to the Borrower, each Guarantor has unconditionally guaranteed the payment and performance of all of the Borrower's obligations to the Agent and the Lenders (the provisions of Article IV of the Credit Agreement and each other provision thereof applicable to the Guarantors, as amended, modified, supplemented, extended or restated, being referred to herein as, the "Guaranty").

C. The Borrower previously requested the consent of the Agent and the Lenders to the sale of all of the Borrower's Equity Interests in WJE (the "WJE Stock Sale"), but has since determined that it does not intend to proceed with the WJE Stock Sale and has requested that: (i) the Agent and the Lenders rescind, terminate, annul and withdraw their consent to the WJE Stock Sale; (ii) accept the pledge of the Borrower's Equity Interest in WJE; (iii) the Credit Agreement be amended to reflect the same. Although the Lenders are under no obligation to do so, the Agent and the Lenders are willing to do so and to amend the Credit Agreement and the Security Agreement in accordance with the terms, and subject to the conditions, set forth herein.

AGREEMENT

The parties to this Amendment, intending to be legally bound, hereby agree as follows:

1. Incorporation of Recitals. Each of the above recitals is incorporated herein as true and correct and is relied upon by the Agent and each Lender in agreeing to the terms of this Amendment. WJE Stock. The parties hereby mutually agree that each of (a) the consent of the Agent and the Lenders to the WJE Stock Sale and (b) the authorization to amend the Agent's original financing statement identifying the Borrower, as debtor, and the Agent, as secured party, filed as filing number 2010 3798109 in the Office of the Secretary of State of the State of Delaware, granted pursuant to the First Amendment are hereby rescinded, terminated, annulled and withdrawn and are of no further force or effect. The Loan Parties Agree that from and after the Second Amendment Effective Date, the WJE

Stock Sale shall constitute a prohibited transaction under the Credit Agreement and the other Loan Documents.

3. Amendments to Credit Agreement.

a. Section 1.01 of the Credit Agreement is hereby amended by amending and restating the following defined terms to read as follows:

"Borrowing Base" means, as of any time of determination, an amount equal to thirty percent (30%) of the Dollar Equivalent of the WJE Stock Value at such time, as determined by the Administrative Agent, minus the aggregate amount of reserves, if any, established under Section 2.01(b).

"Korean Share Pledge" means that certain Second Share Kun-Pledge Agreement, dated as of April 27, 2011, by and among the Borrower, the Administrative Agent and the Lenders, as the same may be amended, modified, supplemented, restated or renewed from time to time.

"Security Agreement" means the Pledge Agreement, dated as of the Closing Date executed in favor of the Administrative Agent by the Borrower, as the same may be amended, modified, supplemented, extended or restated from time to time.

b. Section 1.01 of the Credit Agreement is hereby amended by amending and restating clause (j) of the definition of "Permitted Investments" to read as follows:

(j) advances to, or investments in, a Subsidiary, in WJE, or in Philippine Electric Corp. by the Borrower or any Subsidiary in the ordinary course of business as conducted from time to time;

c. Section 1.01 of the Credit Agreement is hereby amended by adding the following defined terms in appropriate alphabetical order:

"Continuing Director" means, for any period, an individual who is a member of the board of directors of the Borrower on the first day of such period or whose election to the board of directors of the Borrower is recommended by a majority of the other Continuing Directors prior to such election.

"WJE Material Adverse Change" means a material adverse change in, or a material adverse effect on, the operations, business, properties, liabilities (actual or contingent) or financial condition of WJE and its Subsidiaries taken as a whole.

"WJE Prepayment Event" means the occurrence any event or circumstance, which the Administrative Agent has determined, in its sole and absolute discretion, has had (or could reasonably be expected to have) a material adverse effect on, or has resulted in (or could reasonably be expected to result in) a material adverse change to any of the following: (a) the Administrative Agent's and/or the Lenders' right or ability to promptly exercise rights and remedies with respect to any Lien covering the WJE Stock (including its right to sell or dispose of such stock on the Korea Stock

Exchange) as contemplated by the Loan Documents, or to promptly realize the value of such Lien; (b) the ability of the Administrative Agent to determine the WJE Stock Closing Price; or (c) the liquidity of the WJE Stock or the trading volume thereof on the Korea Stock Exchange. Without limiting the generality of the foregoing, each of the following shall constitute a "WJE Prepayment Event": (i) the WJE Stock ceases to be listed for trading on the Korea Stock Exchange; (ii) the trading of WJE Stock on the Korea Stock Exchange is suspended, or material limitations are imposed on such trading (by reason of movements in price exceeding limits permitted by such exchange or otherwise); and (iii) any closure or suspension of the Korea Stock Exchange (other than for weekends and regularly observed holidays) lasting for more than one trading day. For the sake of clarity, the inability of the Administrative Agent to sell or dispose of the WJE Stock as a result of the lock-up period that expires on December 31, 2010 provided under the Shareholders Agreement, dated May 17, 2010 by and between Woongjin Holdings Co., Ltd. and the Borrower, as in effect on the Closing Date, shall not, independently, constitute a WJE Prepayment Event.

"WJE Stock Closing Price" means, on any date, the closing sale price per share of the WJE Stock (or, if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on such date as reported in composite transactions for the Korea Stock Exchange. The "WJE Stock Closing Price" shall be determined without reference to after-hours or extended market trading. For any date on which the WJE Stock is not listed for trading, or has been suspended from trading, on the Korea Stock Exchange, the "WJE Stock Closing Price" shall be zero.

"WJE Stock Value" means, on any date, the product of (x) number of shares of WJE Stock owned by the Borrower that are subject to the valid and enforceable, first-priority Lien of the Administrative Agent, times (y) the WJE Stock Closing Price on such date.

d. Section 1.04 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

1.04 **Exchange Rates; WJE Stock Price**. Without limiting the Loan Parties' obligations under Article VII, the Administrative Agent shall from time to time calculate and determine the Exchange Rate as of any given date with respect to each Alternate Currency, the WJE Stock Closing Price for the most recent trading day, and the WJE Stock Value for any given date. Such calculations and determinations shall be binding on the Loan Parties absent manifest error.

e. Section 2.03(b)(ii) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(ii) Prepayment on WJE Prepayment Event. If for any reason, a WJE Prepayment Event shall occur, the Borrower shall, within five (5) Business Days of the first occurrence of such occurrence or event, make a mandatory prepayment in respect of the Loans in an amount equal to the full amount of all outstanding Obligations at which time the Commitments shall terminate.

f. Section 2.04(b)(vii) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(vii) no event, circumstance or condition shall exist which reasonably could be expected to have a Material Adverse Effect or a WJE Material Adverse Change;

g. Section 5.02(c) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(c) At the time any disbursement is to be made and immediately thereafter, there shall have been no event or circumstance that has (i) had a Material Adverse Effect, or (ii) resulted in a WJE Material Adverse Change, or (iii) resulted in a WJE Prepayment Event, in each case, as determined by the Administrative Agent in the exercise of its reasonable business judgment.

h. Section 6.20(b) and Section 6.20(c) of the Credit Agreement are hereby amended and restated in their entirety to read as follows:

(b) As of the Closing Date, the Borrower owns and controls 19,398,510 shares of WJE Stock. Other than such shares, neither the Borrower nor any of its Subsidiaries owns or controls, directly or indirectly, any other shares of WJE Stock.

(c) The Korean Share Pledge will create in favor of the Pledgees (as defined therein) a valid, perfected, first priority security interest in the Pledged Shares (as defined therein) upon the endorsement of such security interest in the share certificates such shares and the recordation of such security interest in the shareholders registry of WJE in accordance with Section 4.2 of the Korean Share Pledge.

i. Section 6.23 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

6.23 **WJE Stock**. Neither the WJE Stock nor any American Depository Receipts related thereto are traded on a United States national securities exchange or quoted on an established automated over-the-counter trading market in the United States.

j. Section 7.02(b) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(b) concurrently with the delivery of the financial statements referred to in Sections 7.01(a) or (b): (i) a certificate of the chief financial officer or the chief accounting officer of the Borrower, certifying (A) that such financial statements fairly present in all material respects the financial condition and the results of operations, shareholders' or partners' equity, as applicable, and cash flows of the Borrower and its consolidated Subsidiaries on the dates and for the periods indicated, in accordance with GAAP consistently applied, subject, in the case of interim financial statements, to normally recurring year-end adjustments and the absence of footnotes, and (B) that such officer has reviewed the terms of the Loan Documents and has made, or caused to be made under his or her supervision, a review in reasonable detail of the business and condition of the Borrower during the period beginning on the date through which the last such review was made pursuant to this Section 7.02(b) (or, in the case of the first

certification pursuant to this Section 7.02(b), the Closing Date) and ending on a date that is not more than 10 Business Days before the date of such delivery and that on the basis of such review of the Loan Documents, the use of the proceeds of the Loans, and the business and condition of the Loan Parties, to the actual knowledge of such officer, no WJE Prepayment Event has occurred, no Default has occurred or, if any such Default has occurred, specifying the nature and extent thereof and, if continuing, the action the Loan Parties are taking or propose to take in respect thereof; and (ii) a duly completed Compliance Certificate signed by the chief executive officer or chief financial officer of the Borrower;

k. Section 7.03(a) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(a) Immediately provide the Administrative Agent with written notice of the occurrence of any WJE Prepayment Event.

l. Section 7.03(d)(i) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(i) any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect or a WJE Material Adverse Change;

m. Section 7.12 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

7.12 **Pledged Assets**.

(a) Cause 100% of the issued and outstanding Equity Interests of WJE held directly or indirectly by the Borrower or any of its Subsidiaries to be subject at all times to a first priority, perfected Lien in favor of the Administrative Agent pursuant to the terms and conditions of the Collateral Documents, together with opinions of counsel and any filings and deliveries required by the Administrative Agent in connection therewith, whether to perfect the security interests therein under the UCC or any other Laws (including the laws of the Republic of Korea), to comply with any applicable Law that may govern the effect of perfection of any Lien on the Collateral, to enable or expedite the Administrative Agent's or any Lender's ability to exercise rights and remedies with respect to the Collateral, or otherwise, all in form and substance reasonably satisfactory to the Administrative Agent.

(b) Deliver opinions of counsel, filings and such other deliveries and documentation as the Administrative Agent may reasonably request in connection with the foregoing, including, without limitation, appropriate UCC 1 financing statements, certified resolutions and other organizational and authorizing documents, favorable opinions of counsel (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to above and the perfection of the Administrative Agent's Liens and the Lenders' Liens thereunder), all in form, content and scope reasonably satisfactory to the Administrative Agent. The Loan Parties shall also execute and deliver such other pledge agreements or similar documents as may required to create or evidence such pledge by the local law of the jurisdiction of organization of WJE, together with reasonably satisfactory legal opinions and related documentation.

(c) The Borrower shall use its reasonable best efforts to monitor and calculate each of the following on a daily basis, and, to the extent required, provide the notices described in Section 7.03: (i) the Exchange Rate in effect on such day, (ii) the WJE Stock Closing Price for the most recent trading day, and (iii) the WJE Stock Value on such day. The obligation of the Loan Parties to monitor and, if necessary, report such calculations on a daily basis is not and should not be construed to vest in any Loan Parties, the exclusive right to calculate or determine such amounts, and in no event shall such calculations performed by any Loan Party be binding on the Administrative Agent or any Lender.

(d) Perform and discharge each of the covenants, undertakings and obligations set forth in the Korean Share Pledge, including those set forth in Section 4 thereof, and in the Security Agreement, as and when required thereunder.

n. Section 8.05(b) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(b) Without at least ten Business Days' prior written notice to the Administrative Agent Sell, assign, lease, pledge, transfer or otherwise dispose of any of the WJE Stock now held or hereafter acquired; provided however, in no event shall any Loan Party assign, lease, pledge, transfer or otherwise dispose of any WJE Stock if a Default or Event of Default then exists or would exist immediately after giving effect thereto.

4. Amendments to Security Agreement.

a. Section 1(b) of the Security Agreement is hereby amended by adding the defined term in appropriate numerical order to read as follows:

"Korean Share Pledge" means that certain Second Share Kun-Pledge Agreement, dated as of April 27, 2011, by and among the Grantor, the Administrative Agent and the Lenders, as the same may be amended, modified, supplemented, restated or renewed from time to time.

b. Section 2(a) of the Security Agreement is hereby amended and restated in its entirety to read as follows:

(a) Grant of Security Interest. As security for the payment and performance of the Secured Obligations, the Grantor hereby pledges to the Administrative Agent, for itself and the Lenders, and hereby grants to the Administrative Agent, for itself and the Lenders, a security interest in, all of the Grantor's right, title and interest in, to and under (i) the Pledged Shares and the Additional Collateral and any certificates and instruments now or hereafter representing the Pledged Shares and the Additional Collateral, (ii) all rights, remedies, interests, benefits and claims with respect to the Pledged Shares and Additional Collateral, including under any and all related agreements, instruments and other documents and also including the right to demand the return, delivery or transfer of share certificates for any of the Pledged Collateral from the Korean Securities Depository (the "KSD"), and (iii) all books, records and other documentation of the Grantor related to the Pledged Shares and Additional Collateral, in each case, whether tangible or intangible, presently existing or owned or subsequently

acquired, created or coming into existence and wherever located (collectively, the "Pledged Collateral").

c. Section 3(b) of the Security Agreement is hereby amended and restated in its entirety to read as follows:

(b) Ownership of Pledged Collateral. With respect to the Pledged Shares the Grantor is, and with respect to any Additional Collateral the Grantor will be, the legal record and beneficial owner thereof, and has and will have good and marketable title thereto, subject to no Lien except for the pledge and security interest created by this Agreement, Liens created under the Korean Share Pledge, and Liens of the type described in clause (cc) of the definition of "Permitted Liens" in the Credit Agreement, on the brokerage account in which the Pledged Shares are maintained.

d. Section 4(g) of the Security Agreement is hereby amended and restated in its entirety to read as follows:

(g) Liens. The Grantor will not create, incur or permit to exist any Liens upon or with respect to the Pledged Collateral, other than the security interest of and pledge to the Administrative Agent created by this Agreement and Liens created under the Korean Share Pledge.

e. Section 4(h) of the Security Agreement is hereby amended and restated in its entirety to read as follows

(h) Shareholders Agreements. The Grantor will not enter into any shareholders agreement, voting trust, proxy agreement or other agreement or understanding which affects or relates to the voting or giving of written consents with respect to any of the Pledged Collateral, other than that certain Shareholders Agreement, dated as of May 17, 2010 by and between Grantor and WOONGJIN HOLDINGS CO. LTD., in the form delivered to the Administrative Agent prior to the date hereof.

f. Section 7 of the Security Agreement is hereby amended by amending and restating the sixth sentence of that section to read as follows: "The Lien granted hereunder and the rights and remedies of the Administrative Agent with respect to the Liens granted hereunder are granted in conjunction with the pledge granted under the Korean Pledge, and are in addition and supplemental to, and in no way limit or should be construed to limit, those set forth in the Korean Share Pledge or the other Loan Documents or those which are now or hereafter available to the Administrative Agent or any Lender as a matter of law or equity."

g. Section 17 of the Security Agreement is hereby amended and restated in its entirety to read as follows:

SECTION 17 Entire Agreement; Amendment. This Agreement, together with the other Loan Documents, including the Korean Share Pledge, contains the entire agreement of the parties with respect to the subject matter hereof and shall not be amended except by the written agreement of the parties as provided in the Credit Agreement.

h. Schedules 1, 2, 3 and 4 to the Security Agreement are hereby amended and restated in their entirety, and replaced with Schedules 1, 2, 3 and 4 attached to this Amendment..

5. Representations and Warranties. The Borrower and each Guarantor hereby represents and warrants, as of the date of this Amendment, for the benefit of the Agent and each Lender, that:

a. the representations and warranties of each Loan Party set forth in the Credit Agreement or any other Loan Document were true and correct when made and remain true, correct and complete in all material respects as of the date hereof (except to the extent such representations and warranties expressly refer to an earlier date, in which case they are true, correct and complete in all material respects as of such earlier date); provided that the foregoing materiality qualifications shall not apply to any representations or warranties that are qualified by materiality in the text thereof;

b. the Loan Parties have the authority to execute this Amendment and the execution, delivery, and performance by the Loan Parties of this Amendment and the other documents, instruments and agreements delivered or to be delivered in connection herewith (i) are within the corporate or limited liability company powers of each Loan Party and have been duly authorized by all necessary corporate or limited liability company action on the part of each Loan Party, (ii) do not require any governmental or third party consents, except those which have been duly obtained and are in full force and effect, (iii) do not and will not conflict with any requirement of Law, any Loan Party's operating agreement, certificate or articles of incorporation, bylaws, partnership agreement, minutes or resolutions, (iv) after giving effect to this Amendment, do not result in any breach of or constitute a default under any agreement or instrument to which any Loan Party or any of their respective Subsidiaries is a party or by which they or any of their respective properties are bound, and (v) do not result in or require the creation or imposition of any mortgage, deed of trust, pledge, lien, security interest or other charge or encumbrance of any nature upon any of the assets or properties of any Loan Party;

c. this Amendment and the other instruments and agreements delivered or to be delivered by any Loan Party in connection herewith have been duly executed and delivered by each Loan Party and constitute the legal, valid, and binding obligation of each Loan Party, enforceable against such Loan Party in accordance with their respective terms, except to the extent that (i) enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws of general application affecting the rights and remedies of creditors, (ii) enforcement may be subject to general principles of equity, and (iii) the availability of the remedies of specific performance and injunctive relief may be subject to the discretion of the court before which any proceedings for such remedies may be brought;

d. no event has occurred or failed to occur that is, or, with notice or lapse of time or both would constitute, a Default, an Event of Default, or a breach or failure of any condition under any Loan Document; and

e. after giving effect to this Amendment, no Loan Party has any offset, defense, counterclaim, dispute or disagreement of any kind or nature whatsoever with respect to their respective liabilities, obligations and indebtedness arising under or in connection with any Loan Documents.

6. Conditions Precedent. The Borrower and each Guarantor understand and agree that this Amendment shall not be effective until each of the following conditions precedent has been satisfied, or waived in writing by the Agent (in the Agent's sole discretion):

a. The Borrower, each Guarantor and the Required Lenders shall have executed and delivered to the Agent, this Amendment;

b. The Borrower and the Lenders shall have executed and delivered to the Agent Korean Share Pledge;

c. The Borrower, as Pledgor, shall have caused the Securities Company (as defined in the Korean Share Pledge) to register the name and address of each Pledgee in the Securities Account Registry (as defined in the Korean Share Pledge) as the pledgee of the Pledged Shares (as defined in the Korean Share Pledge) and to deliver to the Agent a copy of the Securities Account Registry showing that such pledge has been registered;

d. The Borrower, as Pledgor, shall have caused the Securities Company execute and deliver to the Agent a Confirmation of the Establishment of Kun-Pledge in the form and substance acceptable to the Agent and otherwise do all such acts as may be necessary in order for the Agent to be able to enforce the pledge over the Pledged Shares in the Securities Account (as defined in the Korean Share Pledge) without any further consent, authorization or action by it;

e. The Borrower, as Pledgor, shall have all such acts as may be necessary in order for the Agent to be able to update the Securities Account Registry, including the names and addresses of Pledgees, without any further consent, authorization or action by it;

f. The Borrower shall have executed and delivered to the Agent an updated Borrowing Base Certificate;

g. The representations and warranties of the Borrower and each Guarantor under the Credit Agreement, the other Loan Documents and this Amendment, as applicable, shall be true and correct in all material respects as of the date hereof (except to the extent such representations and warranties expressly refer to an earlier date, in which case they are true, correct and complete in all material respects as of such earlier date); provided that the foregoing materiality qualifications shall not apply to any representations or warranties that are qualified by materiality in the text thereof;

h. The Agent shall have received for the account of the Lenders, in immediately available funds, a fee in the amount of $5,000 which fee shall be non-refundable and fully earned upon receipt; and

i. The Agent shall have received in immediately available funds, all out-of-pocket costs and expenses (including reasonable attorneys' fees and costs) incurred by the Agent in connection with this Amendment and the transactions contemplated hereby and invoiced to the Borrower prior to the date on which this Amendment is otherwise to become effective; provided that the failure to invoice any such amounts to the Borrower prior to such date shall not preclude the Agent from seeking reimbursement

of such amounts, or excuse the Borrower from paying or reimbursing such amounts, following the effective date of this Amendment.

7. Confirmation of Guaranty. Each Guarantor ratifies and reaffirms its obligations under the Guaranty and each and every term, condition, and provision of the Guaranty. Each Guarantor further represents and warrants that it has no defenses or claims against the Agent or any Lender that would or might affect the enforceability of the Guaranty and that the Guaranty remains in full force and effect.

8. Ratification and Confirmation of Loan Documents. Except as expressly set forth herein, the execution, delivery, and performance of this Amendment shall not alter, modify, amend, or in any way affect any of the terms, conditions, obligations, covenants, or agreements contained in the Credit Agreement or any other Loan Document, and shall not shall not operate as a waiver of any right, power, or remedy of the Agent or any Lender under the Credit Agreement or any other Loan Document. Except as expressly set forth herein, the Credit Agreement, all promissory notes, guaranties, security agreements, and all other instruments, documents and agreements entered into in connection with the Credit Agreement and each other Loan Document shall be and remain in full force and effect in accordance with their respective terms and hereby are ratified and confirmed by the Borrower and each other Loan Party in all respects. The Borrower specifically ratifies and confirms the grant, and does hereby grant, to the Agent, for the ratable benefit of each Lender, in and to all of the Borrower's right, title and interest in and to the Pledged Collateral (as that term is defined in the Security Agreement), including without limitation all of the Borrower's right, title and interest all WJE Stock owned by the Borrower and all other property described on Exhibit A hereto.

9. No Waivers. This Amendment: (a) in no way shall be deemed to be a consent or an agreement on the part of the Agent or any Lender to waive any covenant, liability or obligation of the Borrower, any Guarantor or any third party or to waive any right, power, or remedy of the Agent or any Lender; (b) in no way shall be deemed to imply a willingness on the part of the Agent or any Lender to agree to any similar or other future consents, amendments or modifications to any of the terms and conditions of the Credit Agreement or the other Loan Documents; (c) shall not in any way, prejudice, limit, impair or otherwise affect any rights or remedies of the Agent or any Lender under the Credit Agreement or any of the other Loan Documents, including, without limitation, the Agent's or any Lender's right to demand strict performance of the Borrower's and each Guarantor's liabilities and Obligations at all times before and after the date of this Amendment; (d) in no way shall obligate the Agent or any Lender to make any future waivers, consents or modifications to the Credit Agreement or any other Loan Document; and (e) is not a continuing waiver with respect to any failure to perform any Obligation. Each Loan Party acknowledges and agrees that: (i) the Credit Agreement has not been amended or modified in any way by this Amendment, except as expressly set forth herein, (ii) neither the Agent nor any Lender waives any failure by any Loan Party to perform its Obligations under the Loan Documents, (iii) neither the Agent nor any Lender waives compliance with any obligations or undertakings under the Credit Agreement other than with respect to the WJE Stock Sale as expressly described herein, and (iv) the Agent and each Lender is relying upon each Loan Party's representations, warranties and agreements, as set forth herein and in the Loan Documents in providing this Amendment. Nothing in this Amendment shall constitute a satisfaction of the Borrower's or any Guarantor's Obligations.

10. Release. The Borrower and each Guarantor hereby, for itself, its successors, heirs, executors, administrators and assigns (each a "Releasing Party" and collectively, the "Releasing Parties"), releases, acquits and forever discharges the Agent and the Lenders, their respective directors, officers, employees, agents, attorneys, affiliates, successors, administrators and assigns ("Released Parties") of and from any and all claims, actions, causes of action, demands, rights, damages, costs, loss of service, expenses and compensation whatsoever which any Releasing Party might have because of anything done,

omitted to be done, or allowed to be done by any of the Released Parties and in any way connected with this Amendment or the other Loan Documents as of the date of execution of this Amendment, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, including, without limitation, any specific claim raised by any Releasing Party, any settlement negotiations and any damages and the consequences thereof resulting or to result from the events described, referred to or inferred hereinabove ("Released Matters"). Releasing Parties each further agree never to commence, aid or participate in (except to the extent required by order or legal process issued by a court or governmental agency of competent jurisdiction) any legal action or other proceeding based in whole or in part upon the foregoing. In furtherance of this general release, Releasing Parties each acknowledges and waives the benefits of California Civil Code Section 1542 (and all similar ordinances and statutory, regulatory, or judicially created laws or rules of any other jurisdiction), which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Each Releasing Party agrees that this waiver and release is an essential and material term of this Amendment and that the agreements in this paragraph are intended to be in full satisfaction of any alleged injuries or damages in connection with the Released Matters. Each Releasing Party represents and warrants that it has not purported to convey, transfer or assign any right, title or interest in any Released Matter to any other person or entity and that the foregoing constitutes a full and complete release of the Released Matters. Each Releasing Party also understands that this release shall apply to all unknown or unanticipated results of the transactions and occurrences described above, as well as those known and anticipated. Each Releasing Party has consulted with legal counsel prior to signing this release, or had an opportunity to obtain such counsel and knowingly chose not to do so, and executes such release voluntarily, with the intention of fully and finally extinguishing all Released Matters.

11. Miscellaneous. The Borrower and each Guarantor acknowledge and agree that the representations and warranties set forth herein are material inducements to the Agent and the Lenders to deliver this Amendment. This Amendment shall be binding upon and inure to the benefit of and be enforceable by the parties hereto, and their respective permitted successors and assigns. This Amendment and the Credit Agreement shall be read together as one document. No course of dealing on the part of the Agent, the Lenders or any of their respective officers, nor any failure or delay in the exercise of any right by the Agent or the Lenders, shall operate as a waiver thereof, and any single or partial exercise of any such right shall not preclude any later exercise of any such right. The failure at any time to require strict performance by the Borrower or any Guarantor of any provision of the Loan Documents shall not affect any right of the Agent or the Lenders thereafter to demand strict compliance and performance. Any suspension or waiver of a right must be in writing signed by an officer of the Agent, and or the Lenders, as applicable. No other person or entity, other than the Agent and the Lenders, shall be entitled to claim any right or benefit hereunder, including, without limitation, the status of a third party beneficiary hereunder. This Amendment shall be governed by and construed in accordance with the laws of the State of California without reference to conflicts of law rules. If any provision of this Amendment or any of the other Loan Documents shall be determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, that portion shall be deemed severed therefrom, and the remaining parts shall remain in full force as though the invalid, illegal or unenforceable portion had never been a part thereof. This Amendment may be executed in any number of counterparts, including by electronic or facsimile transmission, each of which when so delivered shall be deemed an original, but all such counterparts taken together shall constitute but one and the same instrument.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the Borrower, the Guarantors, the Agent and the Required Lenders have caused this Amendment to be executed as of the date first written above.

The "Borrower"

SUNPOWER CORPORATION

By:/s/ Dennis V. Arriola
Name: Dennis V. Arriola
Title: EVP & CFO

The "Guarantors"

SUNPOWER CORPORATION, SYSTEMS

By:/s/ Dennis V. Arriola
Name: Dennis V. Arriola
Title: SVP & CFO

SUNPOWER NORTH AMERICA, LLC
By: SunPower Corporation, its sole member

By:/s/ Dennis V. Arriola
Name: Dennis V. Arriola
Title: CFO

The “Agent”

UNION BANK, N.A., as Administrative Agent

By:/s/ James B. Goudy
Name: James B. Goudy
Title: Vice President

The “Lenders”

UNION BANK, N.A., as a lender

By:/s/ James B. Goudy
Name: James B. Goudy
Title: Vice President

The “Lenders”

HSBC BANK USA, NATIONAL ASSOCIATION, as a lender

By:/s/ Jason A. Huck
Name: Jason A. Huck
Title: VP Global Relationship Manager
HSBC Bank USA

DEBTOR: SUNPOWER CORPORATION

SECURED PARTY: UNION BANK, N.A., AS AGENT

EXHIBIT A

COLLATERAL DESCRIPTION

All of the right, title and interest of SUNPOWER CORPORATION, a Delaware corporation (herein referred to as "**Debtor**"), in, to and under the following property, in each case, whether tangible or intangible, presently existing or owned or subsequently acquired, created or coming into existence and wherever located (collectively, the "**Pledged Collateral**"):

(a) the Pledged Shares and the Additional Collateral and any certificates and instruments now or hereafter representing the Pledged Shares and the Additional Collateral;

(b) all rights, remedies, interests, benefits and claims with respect to the Pledged Shares and Additional Collateral, including under any and all related agreements, instruments and other documents and also including the right to demand the return, delivery or transfer of share certificates for any of the Pledged Collateral from the Korean Securities Depository (the "**KSD**"); and

(c) all books, records and other documentation of the Debtor related to the Pledged Shares and Additional Collateral.

As used herein, the following terms have the meanings given below:

"**Additional Collateral**" means any and all (i) additional capital stock or other equity securities or Equity Interests issued by, or interests in, the Companies, whether certificated or uncertificated, (ii) warrants, options or other rights entitling the Debtor to acquire any interest in capital stock or other equity securities of or other Equity Interests in the Companies, (iii) securities, property, interest, dividends and other payments and distributions issued or issuable as an addition to, in redemption of, in renewal or exchange for, in substitution or upon conversion of, or otherwise on account of, the Pledged Shares or such additional capital stock or other Equity Interests or other interests in the Companies, including, but not limited to, those arising from a stock dividend, stock split, reclassification, reorganization, merger, consolidation, sale of assets or other exchange of securities or any dividends or other distributions of any kind upon or with respect to the Pledged Shares or any other Pledged Collateral, and (iv) cash and non-cash proceeds, substitutions and products of the Pledged Shares or any other Pledged Collateral, and all supporting obligations, of any or all of the foregoing, in each case from time to time received or receivable by, or otherwise paid or distributed to or acquired by, the Debtor.

"**Companies**" means those Persons listed on Schedule 2 to that certain Pledge Agreement, dated as of October 29, 2010 by and between the Debtor and Union Bank, N.A., as agent (as the same may be amended, modified, supplemented, extended or restated from time to time), including without limitation, WOONGJIN ENERGY CO., LTD., a company organized under the laws of the Republic of Korea ("**WJE**").

"**Equity Interests**" means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or

profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

"**Person**" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, governmental authority or other entity.

"**Pledged Shares**" means all of the issued and outstanding Equity Interests of the Companies, whether certificated or uncertificated, now existing or hereafter arising, including any and all certificated or uncertificated shares of common stock of WJE.

SCHEDULE 1

PLEDGED SHARES

Entity Type	Issuer Name	Jurisdiction of Organization	Certificate No.	Certificate Date	No. of Shares/ Type of Shares
Company	WOONGJIN ENERGY CO., LTD.	South Korea	[various]	[TBD]	19,398,510 shares of common stock; representing (as of April 29, 2011) 31.29% of all issued and outstanding shares of the Issuer

SCHEDULE 2

COMPANIES

WOONGJIN ENERGY CO., LTD., a company organized under the laws of the Republic of Korea, having its principal office at 1316 Gwanpyeong-dong, Yoosung-ku, Daejeon, Korea.

SCHEDULE 3

GRANTOR INFORMATION AND

LOCATION OF CHIEF EXECUTIVE OFFICE

Grantor's legal name: SUNPOWER CORPORATION

Grantor's address: 3939 North First Street
San Jose, California 95134
Telephone: (408) 240-5500
Facsimile: (408) 240-5400

Grantor's type of organization: Corporation

Grantor's jurisdiction of organization: Delaware

Grantor's Tax ID No.: 94-3008969

Grantor's State Organizational ID No.: 3808702

SCHEDULE 4

TRANSFER RESTRICTIONS and

SHAREHOLDERS AGREEMENTS

None.

Exhibit 10.3

THIRD AMENDMENT TO CREDIT AGREEMENT

This Third Amendment to Credit Agreement (this "Amendment"), is entered into as of May 11, 2011 (the "Third Amendment Effective Date"), by and among SunPower Corporation, a Delaware corporation (the "Borrower"), SunPower Corporation, Systems, a Delaware corporation ("SCS"), SunPower North America, LLC, a Delaware limited liability company (together with SCS, each a "Guarantor," and collectively, the "Guarantors"; the Borrower and the Guarantors being referred to herein, individually, as a "Loan Party" and collectively, as the "Loan Parties"), Union Bank, N.A., as administrative agent for the Lenders (as defined below) (in such capacity, the "Agent"), and the several financial institutions from time to time party to the Credit Agreement (as defined below) as lenders (the "Lenders").

BACKGROUND

A. The Loan Parties, the Agent and the Lenders are parties to that certain Credit Agreement, dated as of October 29, 2010, as amended by that certain First Amendment and Consent to Credit Agreement dated as of April 19, 2011 and that certain Second Amendment to Credit Agreement dated as of April 29, 2011, each by and among the Loan Parties, the Agent and the Lenders, and as further as amended, modified, supplemented, extended or restated from time to time (collectively, the "Credit Agreement"), pursuant to which the Lenders have provided a revolving credit facility to the Borrower. Each capitalized term used herein, that is not defined herein, shall have the meaning ascribed thereto in the Credit Agreement.

B. To induce the Lenders to extend credit to the Borrower, each Guarantor has unconditionally guaranteed the payment and performance of all of the Borrower's obligations to the Agent and the Lenders (the provisions of Article IV of the Credit Agreement and each other provision thereof applicable to the Guarantors, as amended, modified, supplemented, extended or restated, being referred to herein as, the "Guaranty").

C. The Borrower and the Guarantor has requested that the Agent and the Lenders amend the financial covenant set forth in Section 8.14(a) of the Credit Agreement for the period from the Third Amendment Effective Date and to but excluding November 6, 2011, and although the Agent and the Lenders are under no obligation to do so, the Agent and the Lenders are willing to amend the Credit Agreement in accordance with the terms, and subject to the conditions, set forth herein.

AGREEMENT

The parties to this Amendment, intending to be legally bound, hereby agree as follows:

1. Incorporation of Recitals. Each of the above recitals is incorporated herein as true and correct and is relied upon by the Agent and each Lender in agreeing to the terms of this Amendment.

2. Amendment to Credit Agreement.

   a. Section 8.14(a) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

   "(a) Minimum Consolidated Liquidity. Permit or allow, at any time during the period from May 11, 2011 to but excluding November 6, 2011, the Borrower's unrestricted cash and cash equivalents, on a consolidated basis, to be less than

$125,000,000. At any time thereafter, permit or allow the Borrower's unrestricted cash and cash equivalents, on a consolidated basis, to be less than the lesser of (i) $225,000,000 or (ii) an amount equal to the sum of (A) $50,000,000 plus (B) an amount equal fifty percent (50%) of the Dollar Equivalent of the DB Credit Exposure at such time."

3. Representations and Warranties. The Borrower and each Guarantor hereby represents and warrants, as of the date of this Amendment, for the benefit of the Agent and each Lender, that:

a. the representations and warranties of each Loan Party set forth in the Credit Agreement or any other Loan Document were true and correct when made and remain true, correct and complete in all material respects as of the date hereof (except to the extent such representations and warranties expressly refer to an earlier date, in which case they are true, correct and complete in all material respects as of such earlier date); provided that the foregoing materiality qualifications shall not apply to any representations or warranties that are qualified by materiality in the text thereof;

b. the Loan Parties have the authority to execute this Amendment and the execution, delivery, and performance by the Loan Parties of this Amendment and the other documents, instruments and agreements delivered or to be delivered in connection herewith (i) are within the corporate or limited liability company powers of each Loan Party and have been duly authorized by all necessary corporate or limited liability company action on the part of each Loan Party, (ii) do not require any governmental or third party consents, except those which have been duly obtained and are in full force and effect, (iii) do not and will not conflict with any requirement of Law, any Loan Party's operating agreement, certificate or articles of incorporation, bylaws, partnership agreement, minutes or resolutions, (iv) after giving effect to this Amendment, do not result in any breach of or constitute a default under any agreement or instrument to which any Loan Party or any of their respective Subsidiaries is a party or by which they or any of their respective properties are bound, and (v) do not result in or require the creation or imposition of any mortgage, deed of trust, pledge, lien, security interest or other charge or encumbrance of any nature upon any of the assets or properties of any Loan Party;

c. this Amendment and the other instruments and agreements delivered or to be delivered by any Loan Party in connection herewith have been duly executed and delivered by each Loan Party and constitute the legal, valid, and binding obligation of each Loan Party, enforceable against such Loan Party in accordance with their respective terms, except to the extent that (i) enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws of general application affecting the rights and remedies of creditors, (ii) enforcement may be subject to general principles of equity, and (iii) the availability of the remedies of specific performance and injunctive relief may be subject to the discretion of the court before which any proceedings for such remedies may be brought;

d. no event has occurred or failed to occur that is, or, with notice or lapse of time or both would constitute, a Default, an Event of Default, or a breach or failure of any condition under any Loan Document; and

e. after giving effect to this Amendment, no Loan Party has any offset, defense, counterclaim, dispute or disagreement of any kind or nature whatsoever with respect to their respective liabilities, obligations and indebtedness arising under or in connection with any Loan Documents.

4. Conditions Precedent. The Borrower and each Guarantor understand and agree that this Amendment shall not be effective until each of the following conditions precedent has been satisfied, or waived in writing by the Agent (in the Agent's sole discretion):

a. The Borrower, each Guarantor and the Required Lenders shall have executed and delivered to the Agent, this Amendment;

b. The representations and warranties of the Borrower and each Guarantor under the Credit Agreement, the other Loan Documents and this Amendment, as applicable, shall be true and correct in all material respects as of the date hereof (except to the extent such representations and warranties expressly refer to an earlier date, in which case they are true, correct and complete in all material respects as of such earlier date); provided that the foregoing materiality qualifications shall not apply to any representations or warranties that are qualified by materiality in the text thereof;

c. The Agent shall have received for the account of the Lenders, in immediately available funds, a fee in the amount of $5,000 which fee shall be non-refundable and fully earned upon receipt; and

d. The Agent shall have received in immediately available funds, all out-of-pocket costs and expenses (including reasonable attorneys' fees and costs) incurred by the Agent in connection with this Amendment and the transactions contemplated hereby and invoiced to the Borrower prior to the date on which this Amendment is otherwise to become effective; provided that the failure to invoice any such amounts to the Borrower prior to such date shall not preclude the Agent from seeking reimbursement of such amounts, or excuse the Borrower from paying or reimbursing such amounts, following the effective date of this Amendment.

5. Confirmation of Guaranty. Each Guarantor ratifies and reaffirms its obligations under the Guaranty and each and every term, condition, and provision of the Guaranty. Each Guarantor further represents and warrants that it has no defenses or claims against the Agent or any Lender that would or might affect the enforceability of the Guaranty and that the Guaranty remains in full force and effect.

6. Ratification and Confirmation of Loan Documents. Except as expressly set forth herein, the execution, delivery, and performance of this Amendment shall not alter, modify, amend, or in any way affect any of the terms, conditions, obligations, covenants, or agreements contained in the Credit Agreement or any other Loan Document, and shall not shall not operate as a waiver of any right, power, or remedy of the Agent or any Lender under the Credit Agreement or any other Loan Document. Except as expressly set forth herein, the Credit Agreement, all promissory notes, guaranties, security agreements, and all other instruments, documents and agreements entered into in connection with the Credit Agreement and each other Loan Document shall be and remain in full force and effect in accordance with their respective terms and hereby are ratified and confirmed by the Borrower and each other Loan Party in all respects.

7. No Waivers. This Amendment: (a) in no way shall be deemed to be a consent or an agreement on the part of the Agent or any Lender to waive any covenant, liability or obligation of the

Borrower, any Guarantor or any third party or to waive any right, power, or remedy of the Agent or any Lender; (b) in no way shall be deemed to imply a willingness on the part of the Agent or any Lender to agree to any similar or other future consents, amendments or modifications to any of the terms and conditions of the Credit Agreement or the other Loan Documents; (c) shall not in any way, prejudice, limit, impair or otherwise affect any rights or remedies of the Agent or any Lender under the Credit Agreement or any of the other Loan Documents, including, without limitation, the Agent's or any Lender's right to demand strict performance of the Borrower's and each Guarantor's liabilities and Obligations at all times before and after the date of this Amendment; (d) in no way shall obligate the Agent or any Lender to make any future waivers, consents or modifications to the Credit Agreement or any other Loan Document; and (e) is not a continuing waiver with respect to any failure to perform any Obligation. Each Loan Party acknowledges and agrees that: (i) the Credit Agreement has not been amended or modified in any way by this Amendment, except as expressly set forth herein, (ii) neither the Agent nor any Lender waives any failure by any Loan Party to perform its Obligations under the Loan Documents, (iii) neither the Agent nor any Lender waives compliance with any obligations or undertakings under the Credit Agreement, and (iv) the Agent and each Lender is relying upon each Loan Party's representations, warranties and agreements, as set forth herein and in the Loan Documents in providing this Amendment. Nothing in this Amendment shall constitute a satisfaction of the Borrower's or any Guarantor's Obligations.

8. Miscellaneous. The Borrower and each Guarantor acknowledge and agree that the representations and warranties set forth herein are material inducements to the Agent and the Lenders to deliver this Amendment. This Amendment shall be binding upon and inure to the benefit of and be enforceable by the parties hereto, and their respective permitted successors and assigns. This Amendment and the Credit Agreement shall be read together as one document. No course of dealing on the part of the Agent, the Lenders or any of their respective officers, nor any failure or delay in the exercise of any right by the Agent or the Lenders, shall operate as a waiver thereof, and any single or partial exercise of any such right shall not preclude any later exercise of any such right. The failure at any time to require strict performance by the Borrower or any Guarantor of any provision of the Loan Documents shall not affect any right of the Agent or the Lenders thereafter to demand strict compliance and performance. Any suspension or waiver of a right must be in writing signed by an officer of the Agent, and or the Lenders, as applicable. No other person or entity, other than the Agent and the Lenders, shall be entitled to claim any right or benefit hereunder, including, without limitation, the status of a third party beneficiary hereunder. This Amendment shall be governed by and construed in accordance with the laws of the State of California without reference to conflicts of law rules. If any provision of this Amendment or any of the other Loan Documents shall be determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, that portion shall be deemed severed therefrom, and the remaining parts shall remain in full force as though the invalid, illegal or unenforceable portion had never been a part thereof. This Amendment may be executed in any number of counterparts, including by electronic or facsimile transmission, each of which when so delivered shall be deemed an original, but all such counterparts taken together shall constitute but one and the same instrument.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the Borrower, the Guarantors, the Agent and the Required Lenders have caused this Amendment to be executed as of the date first written above.

The “Borrower”

SUNPOWER CORPORATION

By:/s/ Dennis V. Arriola
Name: Dennis V. Arriola
Title: EVP & CFO

The “Guarantors”

SUNPOWER CORPORATION, SYSTEMS

By:/s/ Dennis V. Arriola
Name: Dennis V. Arriola
Title: SVP & CFO

SUNPOWER NORTH AMERICA, LLC
By: SunPower Corporation, its sole member

By:/s/ Dennis V. Arriola
Name: Dennis V. Arriola
Title: CFO

The “Agent”

UNION BANK, N.A., as Administrative Agent

By:/s/ J. William Bloore
Name: J. William Bloore
Title: Vice President

The “Lenders”

UNION BANK, N.A., as a lender

By: /s/ J. William Bloore
Name: J. William Bloore
Title: Vice President

The “Lenders”

HSBC BANK USA, NATIONAL ASSOCIATION, as a lender

By:/s/ Jason A. Huck
Name: Jason A. Huck
Title: VP Global Relationship Manager
HSBC Bank USA

Exhibit 10.4

Execution Copy

SECOND SHARE KUN-PLEDGE AGREEMENT

THIS SECOND SHARE KUN-PLEDGE AGREEMENT (this **"Pledge Agreement"**) is entered into as of April 27, 2011, by and among:

(1) **SUNPOWER CORPORATION**, a Delaware corporation (the **"Pledgor"**);

(2) **THE FINANCIAL INSTITUTIONS** listed in Schedule I hereto (individually a **"Pledgee"** and collectively, the **"Pledgees"**, which term shall include their respective successors, transferees and assigns); and

(3) **UNION BANK, N.A.,** as administrative agent for the Lenders (as defined below) (in such capacity, the **"Administrative Agent"**, which term shall include its successors, transferees and assigns).

RECITALS

WHEREAS:

(A) The Pledgor, the guarantors from time to time party thereto, the Administrative Agent, and the Pledgees, as lenders have entered into that certain Credit Agreement, dated as of October 29, 2010, by and among (including all annexes, exhibits and schedules thereto, as from time to time amended, restated, supplemented or otherwise modified, the "**Original Credit Agreement**") pursuant to which the Pledgees have agreed to make the Loan to or for the benefit of the Pledgor on and subject to the terms and conditions set forth therein.

(B) The Pledgor is the legal and beneficial owner of shares of Woongjin Energy Co., Ltd., a company organized under the laws of the Republic of Korea ("**Korea**"), having its principal office at 1316 Gwanpyeong-dong, Yoosung-ku, Daejeon, Korea (the "**Company**"), the details of which are specified in Schedule II hereto (together with any Additional Shares (as defined below), the "**Pledged Shares**").

(C) Pursuant to the Original Credit Agreement, the Pledgor, the Pledgees and Administrative Agent entered into that certain Pledge Agreement dated as of October 29, 2010 (the "**First Share Pledge Agreement**") whereby Pledgor granted a kun-pledge (*Kun-Jil-Kwon*) to the Pledgees and the Administrative Agent of all Pledged Shares owned by the Pledgor pursuant to the terms and conditions therein.

(D) The Borrower, the guarantors from time to time party thereto and the Administrative Agent have entered into that First Amendment and Consent to Credit Agreement (the "**First Amendment Agreement**") as of April 19, 2011 amending the Original Credit Agreement (the Original Credit Agreement as amended by the First Amendment Agreement, the "**Credit Agreement**").

(E) Pursuant to the First Amendment Agreement, the First Share Pledge Agreement and the

kun-pledge over the Pledge Shares created thereunder were terminated.

(F) Subject to the terms and conditions of the Credit Agreement, the Pledgor and the Pledgees wish to reinstate the kun-pledge over the Pledged Shares, and accordingly to enter into this Pledge Agreement whereby the Pledgor grants a kun-pledge (Kun-Jil-Kwon) to the Pledgees and the Administrative Agent of all Pledged Shares owned by the Pledgor pursuant to the terms and conditions herein.

(G) Upon execution, this Pledge Agreement is the Korean Share Pledge referred to in the Credit Agreement.

NOW, THEREFORE, it is agreed as follows:

Section 1. Interpretation

1.1 Words and expressions defined in the Credit Agreement shall, unless otherwise defined herein or the context otherwise requires, have the same meaning when used in this Pledge Agreement. References to any agreement or document shall be construed as references to such agreement or document as varied, amended, novated or supplemented from time to time. In addition, as used in this Pledge Agreement:

1.2 **"Additional Shares"** means any and all Equity Interests in the Company in which the Pledgor acquires any beneficial interest at any time after the date of this Pledge Agreement (including, without limitation, any newly issued shares subscribed for by the Pledgor in the Company).

1.4 **"Secured Obligations"** shall mean the Obligations, as defined in the Credit Agreement, including, without limitation, all of the Pledgor's obligations hereunder and under the other Loan Documents.

1.6 **"Securities Company"** means Daishin Securities Co., Ltd.

Section 2. Establishment of Kun-Pledge

2.1 The Pledgor hereby pledges to the Pledgees by way of first priority kun-pledge (the **"Kun-Pledge",** *kun-jilkwon* in Korean), all of its right, title and interest in the Pledged Shares, and the Pledgees hereby accept such Kun-Pledge of the Pledged Shares, as collateral security for the due and punctual payment, performance and discharge in full of the Secured Obligations.

2.2 The Pledgor hereby agrees to provide a Kun-Pledge in favor of the Pledgees over all of its rights, title and interests in the Additional Shares, substantially simultaneously with the acquisition of such Additional Shares, and the Pledgees accept such Kun-Pledge over such Additional Shares pursuant to the terms and conditions contained herein, as collateral security for the due and punctual payment, performance and discharge in full of the Secured Obligations. For the avoidance of doubt, the Pledgor and the Pledgees

hereby agree that, following the acquisition of or subscription for any Additional Shares by the Pledgor, the Pledgor and the Pledgees need not enter into a separate agreement in respect of such Additional Shares or express any intention to provide the Kun-Pledge contemplated in this Section 2.2 (other than the Supplemental Agreement pursuant to Section 4.1(d)).

2.3 As security for the due and punctual payment, performance and discharge in full of the Secured Obligations, the Pledgor hereby assigns to the Pledgees all of its rights, title, interest, benefits and claims with respect to the Pledged Shares

Section 3. Pledgor's Representations and Warranties

The Pledgor, on the date hereof and throughout the term of this Pledge Agreement, represents and warrants to the Administrative Agent and the Pledgees that as of the date hereof:

(a) it owns the shares identified in Schedule II hereto, and such shares were duly authorized and issued and are fully paid-in and non-assessable;

(b) it has full rights, titles and interests in the Pledged Shares free and clear of all Liens (save for the Kun-Pledge created hereunder);

(c) it has not pledged, assigned or otherwise transferred to any third party any interest in the Pledged Shares (other than the Kun-Pledge pursuant to this Pledge Agreement);

(d) it is duly organized, validly existing under the laws of the jurisdiction of its organization and has all necessary corporate power, authority and legal right to execute, deliver, and perform its obligations under, this Pledge Agreement;

(e) it has taken all steps necessary to authorize its execution, delivery and performance of this Pledge Agreement;

(f) it has obtained all authorizations from Governmental Authorities in any jurisdiction and any third parties necessary in order to execute, deliver and perform this Pledge Agreement;

(g) its execution, delivery and performance of this Pledge Agreement are not in conflict with any applicable Law, its Organization Documents, or any indenture, deed, agreement or undertaking entered into by it or by which it is bound;

(h) this Pledge Agreement constitutes the legal, valid and binding obligations of the Pledgor enforceable in accordance with its terms;

(j) this Pledge Agreement is in proper legal form under the law of Korea for the enforcement thereof against the Pledgor under such law, and all formalities required in Korea to be taken by the Pledgor for the validity and enforceability of

the Pledge Agreement have been or will be accomplished: and

(k) the Pledged Shares are deposited with the Korea Securities Depository through the Securities Company, and the name and address of the Pledgor is registered in the registry of client account of the Securities Company for the Securities Account (the "Securities Account Registry").

Section 4. Pledgor's Obligations

The Pledgor hereby agrees and undertakes to the Administrative Agent and the Pledgees that:

4.1 At any time before the Obligations of the Company under the Loan Documents have been unconditionally and irrevocably paid and discharged in full:

(a) it shall not initiate or concur in: (i) the appointment of any receiver, manager, liquidator, trustee or similar officer for the Company or any of its assets, properties or revenues; or (ii) any proceeding for the winding up or voluntary or involuntary reorganization, composition or bankruptcy of the Company;

(b) it shall not assign, transfer, sell, further pledge or otherwise encumber any of the Pledged Shares; and

(c) it shall from time to time promptly, but in any event no later than seven Business Days, upon the acquisition of or the subscription for (as applicable) any Additional Shares:

A. execute and deliver a supplemental agreement (the **"Supplemental Agreement"**, which shall form part of this Pledge Agreement), together with the Administrative Agent on behalf of the Pledgees, substantially in the form of Exhibit B hereto (or such other form reasonably satisfactory to the Administrative Agent) to the Administrative Agent; and

B. cause the Company to record the name and address of each of the Pledgees in the shareholders registry of the Company as the pledgees of such Additional Shares and deliver the copy of such shareholders registry to the Administrative Agent.

4.2 Immediately upon the execution of this Pledge Agreement, it shall cause the Securities Company to: (i) register the name and address of each Pledgee in the Securities Account Registry as the pledgee of the Pledged Shares and to deliver to the Administrative Agent a copy of the Securities Account Registry showing that such pledge has been registered; (ii) do all such acts as may be necessary in order for the Administrative Agent to be able to enforce the pledge over the Pledged Shares in the Securities Account without any further consent, authorization or action by the Pledgor, including, but not limited to, executing and delivering to the Administrative Agent a Confirmation of the

Establishment of Kun-Pledge in the form and substance acceptable to the Administrative Agent; and (iii) do all such acts as may be necessary in order for the Administrative Agent to be able to update the Securities Account Registry, including the names and addresses of Pledgees, without any further consent, authorization or action by the Pledgor.

Section 5. Dividends and Voting Rights

Prior to the Administrative Agent's issuance of a notice following the occurrence and during the continuance of an Event of Default as defined in the Credit Agreement, the Pledgor shall be entitled to exercise in its sole discretion, with respect to the Pledged Shares, all rights and powers, conferred by statute or otherwise, upon an absolute owner of such Pledged Shares and, subject to the terms of the Credit Agreement, to receive all dividends, interest, principal or other payments of money declared or made with respect to the Pledged Shares, *provided*, that after the receipt by the Pledgor of such notice from the Administrative Agent, and during the continuance of such Event of Default, the Administrative Agent may, subject to the terms of the Loan Documents and in accordance with applicable Law, exercise or cause to be exercised in respect of any Pledged Shares any voting rights and rights to receive dividends, interest, principal or other payments of money, as the case may be, forming a part of the Pledged Shares and rights conferred on or exercisable by the bearer or holder thereof in its capacity as such.

Section 6. Enforcement by Administrative Agent and Pledges

6.1 If an Event of Default under the Credit Agreement has occurred and is continuing, and the Pledgor has received notice of the same from the Administrative Agent, the Administrative Agent on its own behalf and on behalf of the Pledgees shall become forthwith entitled to put into force and to exercise all or any of the rights and power possessed by the Pledgees as pledgees of the Pledged Shares, including without limitation, the power to:

(a) transfer any or all of the Pledged Shares from the Securities Account to a Pledgee's or the Administrative Agent's securities account by giving a written notice in the form and substance attached to Confirmation of the Establishment of Kun-Pledge as Exhibit 1to the Securities Company;

(b) exercise, to the extent permitted by applicable Law, all voting, consensual and other powers of ownership pertaining to the Pledged Shares as if the Pledgees were the sole and absolute owners thereof (and the Pledgor agrees that at such time and upon the Administrative Agent's request it will take all such actions as may be necessary to give effect to such right);

(c) demand, sue for, collect or receive, in the name of the Administrative Agent or in the name of the Pledgor, any money or property at any time payable or receivable on account of or in exchange for any of the Pledged Shares, but shall be under no obligation to do so; and

(d) to the extent permitted by and in accordance with applicable Law, assign, sell or

otherwise dispose of the Pledged Shares to such person, at a public or a private sale, and upon such terms as the Administrative Agent may reasonably determine, and the Administrative Agent or any Pledgee or anyone else may be the purchaser, pledgee or recipient of any or all of the Pledged Shares and thereafter hold the same absolutely, free from any claims or rights whatsoever, including any rights of redemption, of the Pledgor.

6.2 If the proceeds (as defined below) of such sale, collection or other realization of all or any part of the Pledged Shares pursuant to Section 6.1 hereof are insufficient to cover the costs and expenses of such realization and the payment in full of the Secured Obligations, the Pledgor shall remain liable for such deficiency.

6.3 The Administrative Agent and the Pledgees shall incur no liability as a result of the sale of the Pledged Shares or any part thereof, at any public or private sale pursuant to Section 6.1 hereof and otherwise. The Pledgor hereby waives any claims against the Administrative Agent or any Pledgee arising by reason of the fact that the price at which the Pledged Shares have been sold at such private sale may be less than the price at which it could have been sold otherwise

6.4 The proceeds (as defined below) of any sale or other realization of all or any part of the Pledged Shares shall be applied by the Administrative Agent in accordance with the Credit Agreement. As used in this Section 6, the **"proceeds"** shall mean cash, securities and other property realized in respect of, and distributions in kind of, the Pledged Shares, including any thereof received under any reorganization, liquidation or adjustment of debt of the Pledgor.

Section 7. Attorney-in-fact

The Pledgor hereby irrevocably appoints the Administrative Agent its true and lawful attorney-in-fact with full power to require, demand and receive any and all moneys and claims for money due and to become due under or with respect to its Shares and to take any action or execute any instrument which the Administrative Agent may deem necessary to accomplish the purpose hereof; *provided*, that the Administrative Agent shall not exercise the authority conferred above unless and until the Administrative Agent on behalf of the Pledgees is permitted to exercise any of the rights pursuant to Section 6.1. The Pledgor shall execute the Power of Attorney attached hereto as Exhibit A on the date of this Pledge Agreement and the date on which the Pledgor acquires any and all Additional Shares (if any), and hereby authorizes the Administrative Agent to fill in the date on the executed Power of Attorney at its discretion. The Administrative Agent agrees not to exercise its rights under such power of attorney except in connection with the exercise of remedies under Section 6.

Section 8. Assignment

This Pledge Agreement and the Kun-Pledge created hereunder shall be binding upon and inure to the benefit of the Pledgor, the Administrative Agent and the Pledgees and their respective successors and permitted assigns. The Administrative Agent and any Pledgee may, to the extent

permitted by and in accordance with the Credit Agreement and applicable Law, at any time assign all or any part (to the extent permitted by the Credit Agreement) of its rights or obligations hereunder to any party (each an **"Assignee"**). The parties hereto agree that to the extent of any assignment, the Assignee shall be deemed to have the same rights and benefits under this Pledge Agreement as it would have had if it were a signatory Pledgee hereunder, and the Pledgor shall ensure that procedures set forth in Section 4.3 or Section 4.4, as applicable, are promptly completed with respect to the Assignee. The Pledgor may not assign any of its rights or obligations hereunder without the prior written consent of the Administrative Agent.

Section 9. Further Assurance

The Pledgor agrees that at any time and from time to time upon the written request of the Administrative Agent, it shall promptly and duly execute and deliver any and all such further instruments and documents and take such further action as the Administrative Agent may reasonably request in order to perfect and/or protect any Lien granted or purported to be granted hereby or to enable the Administrative Agent and the Pledgees to exercise and enforce their rights and remedies hereunder with respect to the Pledged Shares pledged by this Pledge Agreement.

Section 10. Termination and Release of Securities

The term of this Pledge Agreement shall begin on the signing date of this Pledge Agreement and end on the date on which all Secured Obligations shall have been unconditionally and irrevocably paid and discharged in full and none of the Pledgees shall be under any further actual or contingent obligation to make any advance or provide other financial accommodation to any obligor or any other person under any of the Loan Documents. Upon termination of this Pledge Agreement, the Administrative Agent and the Pledgees shall at the request and cost of the Pledgor promptly release and discharge this Pledge Agreement and the Kun-Pledge created hereunder

Section 11. Miscellaneous

11.1 **Notices.** All notices, requests and other communications hereunder shall be given in the manner and to the addresses specified in the Credit Agreement.

11.2 **Severability**. If any of the provisions of this Pledge Agreement shall contravene any Law or be held invalid, this Pledge Agreement shall be construed as if not containing those provisions, and the rights and obligations of the parties hereto shall be construed and enforced accordingly.

11.3 **Amendments, Changes and Modifications**. This Pledge Agreement shall not be amended, changed, modified, altered or terminated, unless the prior written approval of the Pledgor and the Administrative Agent is obtained. This Pledge Agreement shall not be amended by an oral agreement.

11.4 **Counterparts**. This Pledge Agreement may be executed in multiple counterparts, each

of which, when executed, shall constitute an original but all of which together shall constitute one and the same instrument.

11.5 **Heading**. Headings and titles herein are for convenience only and shall not affect the construction or interpretation of this Pledge Agreement.

11.6 **Entire Agreement.** This Pledge Agreement, together with other Loan Documents, is intended by the parties as the written final expression of each party's obligations and rights in connection with the Kun-Pledge of the Pledged Shares and the Security Assignment and supersedes all prior and contemporaneous understandings or agreements concerning the subject matter hereof. The Kun-Pledge is made in conjunction with the security interest granted to the Agent under the Pledge Agreement dated October 29, 2010 by and between the Pledgor as grantor and the Administrative Agent as administrative agent for the Lenders governed by the laws of the State of California (the **"U.S. Pledge Agreement"**). The rights, powers and remedies of the Administrative Agent and the Pledgees with respect to the Kun-Pledge are in addition to those set forth in the Credit Agreement, the U.S. Pledge Agreement and the other Loan Documents, and those which are now or hereafter available to the Administrative Agent or any Pledgee as a matter of law or equity. Each right, power and remedy of the Administrative Agent and/or the Pledgees provided for herein or in the Credit Agreement, the U.S. Pledge Agreement or any of the other Loan Documents, or now or hereafter existing at law or in equity, shall be cumulative and concurrent and shall be in addition to every right, power or remedy provided for herein, and the exercise by the Administrative Agent or any Pledgee of any one or more of the rights, powers or remedies provided for in this Pledge Agreement, the Credit Agreement, the U.S. Pledge Agreement or any of the other Loan Documents, or now or hereafter existing at law or in equity, shall not preclude the simultaneous or later exercise by any person, including the Administrative Agent, of any or all other rights, powers or remedies.

11.7 **Conflict.** In the case of a conflict between the provisions of this Pledge Agreement and the provisions of Credit Agreement, the provisions of the Credit Agreement shall prevail. In the case of a conflict between the provisions of this Pledge Agreement and the provisions of the pledge agreement dated October 29, 2010 between the Pledgor and the Administrative Agent, which pledge agreement is governed by the laws of the State of California, the provisions of this Pledge Agreement shall prevail.

11.8 **No Waiver.** Neither the Administrative Agent nor any Pledgee shall, by any act, delay, indulgence, omission or otherwise, except by an express written instrument clearly indicating an intention to waive, be deemed to have waived any right or remedy hereunder or to have acquiesced in any Event of Default. No failure to exercise, nor any delay in exercising on the part of the Administrative Agent and the Pledgees, any rights, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power, privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

11.9 **Remedies Cumulative.** The rights and remedies provided herein are cumulative and

may be exercised individually or concurrently, and are not exclusive of any other rights or remedies provided by Law.

11.10 **Action by Pledgees**. To the extent permitted by Law, all notices which may be given to the Pledgees hereunder, and all rights and remedies which may be exercised by the Pledgees hereunder, shall be given or exercised by and through the Administrative Agent and not by any one or more Pledgees directly.

11.11 **Governing Law and Jurisdiction**. This Pledge Agreement and the security created pursuant hereto shall be governed by the laws of Korea in all respects, including matters of construction, validity and performance. The parties hereto agree that any legal action or proceeding arising out of or relating to this Pledge Agreement may be brought in the Seoul Central District Court in Seoul, Korea and the Pledgor hereby irrevocably submits to the non-exclusive jurisdiction of such court.

(Signature pages to follow)

IN WITNESS WHEREOF, the parties hereto have caused this Share Kun-Pledge Agreement to be duly executed as of the day and year first above written.

PLEDGOR

SUNPOWER CORPORATION

By /s/ Dennis V. Arriola
Name: Dennis V. Arriola
Title: EVP & CFO

ADMINISTRATIVE AGENT

UNION BANK, N.A.

By /s/ James B. Goudy
Name: James B. Goudy
Title: Vice President

PLEDGEE

UNION BANK, N.A.

By/s/ James B. Goody
Name: James B. Goody
Title: Vice President

PLEDGEE

HSBC BANK USA, NATIONAL ASSOCIATION

By /s/ Jason A. Huck
Name: Jason Alexander Huck
Title: Vice President, Relationship Manager

SCHEDULE I

List of Pledgees

UNION BANK, N.A.

HSBC BANK USA, NATIONAL ASSOCIATION

SCHEDULE II

Details of Pledged Shares

WOONGJIN ENERGY CO., LTD.

Shareholder	Type of Shares	Number of Shares
Sunpower Corporation	Ordinary	19,398,510 shares of common stock; representing 31.24% of all issued and outstanding shares of the Company

EXHIBIT A

FORM OF POWER OF ATTORNEY

KNOW ALL BY THESE PRESENT that we, Sunpower Corporation (the **"Shareholder"**), do hereby constitute and appoint Union Bank, N.A. (the **"Bank"**) as the true and lawful attorney-in-fact with full power and authority on behalf and in the name of the Shareholder to exercise all or any of the rights and power conferred on the Shareholder in respect of the shares of Woongjin Energy Co., Ltd. (listed in the Appendix attached hereto) (the **"Pledged Shares"**), including without limitation, the right and power to:

(a) exercise, to the extent permitted by applicable Law, all voting, consensual and other powers of ownership pertaining to the Pledged Shares as if the Bank were the sole and absolute owners thereof (and the Shareholder agrees that at such time and upon the Bank's request it will take all such actions as may be necessary to give effect to such right);

(b) demand, sue for, collect or receive, in the name of the Bank or in the name of the Shareholder, any money or property at any time payable or receivable on account of or in exchange for any of the Pledged Shares, but shall be under no obligation to do so; and

(c) to the extent permitted by and in accordance with applicable Law, assign, sell or otherwise dispose of the Pledged Shares to such person, at a public or a private sale, and upon such terms as the Bank may reasonably determine, and the Bank or any Pledgee or anyone else may be the purchaser, pledgee or recipient of any or all of the Pledged Shares and thereafter hold the same absolutely, free from any claims or rights whatsoever, including any rights of redemption, of the Pledgor.

Words and expressions defined in the Second Share Kun-Pledge Agreement dated as of April 27, 2011 by and among, *inter alios*, the Shareholder as pledgor, the financial institutions listed in Schedule I thereto as pledgees and the Bank as Administrative Agent (as amended and supplemented) shall, unless otherwise defined herein or the context otherwise requires, have the same meaning when used in this Power of Attorney.

The undersigned hereby confirms, and undertakes to confirm, all actions to be taken by the attorney-in-fact duly appointed hereunder.

IN WITNESS WHEREOF, the undersigned hereunto affixed his name and signature as of April 27 20_11_.

SUNPOWER CORPORATION

By: /s/ Dennis V. Arriola
Name: Dennis V. Arriola
Title: EVP & CFO

Appendix

Details of Pledged Shares

WOONGJIN ENERGY CO., LTD.

Shareholder	Type of Shares	Number of Shares
Sunpower Corporation	Ordinary	19,398,510 shares of common stock; representing 31.24% of all issued and outstanding shares of the Company

EXHIBIT B

FORM OF SUPPLEMENTAL AGREEMENT

1. We make reference to the Second Share Kun-Pledge Agreement (as amended and supplemented, the **"Pledge Agreement"**) dated April 27, 2011entered into by and among Sunpower Corporation as pledgor (the **"Pledgor"**), the financial institutions listed in Schedule I thereto as pledgees (individually, a **"Pledgee"** and collectively, the **"Pledgees"** which term shall include their respective successors in title, permitted assigns and permitted transferees from time to time) and Union Bank, N.A., acting individually for itself and for the benefit of the Pledgees as Administrative Agent (the "**Administrative Agent**", which term shall include its successors in title, permitted assigns and permitted transferees from time to time). This Pledge agreement shall constitute a "Supplemental Agreement" for the purposes of Section 4.1(d) of the Pledge Agreement.

2. Words and expressions defined or referred to in the Pledge Agreement shall, unless otherwise defined herein or the context otherwise requires, have the same meaning when used in this Supplemental Agreement.

3. Pursuant to Section 4.1(d) of the Pledge Agreement, and in order to secure the payment, performance and discharge in full of the Secured Obligations, the Pledgor hereby pledges by way of first priority kun-pledge in favour of the Pledgees all of its rights, title and interests in Additional Shares as listed in the Annex 1 attached hereto.

4. By execution of this Supplemental Agreement, it shall be deemed that this Supplemental Agreement constitutes a part of the Pledge Agreement and that this Supplemental Agreement, taken together with the Pledge Agreement, shall constitute one and the same agreement.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Agreement to be executed as of April 27, 2011.

PLEDGOR

SUNPOWER CORPORATION

By _____
Name:
Title:

ADMINISTRATIVE AGENT ON BEHALF OF ITSELF AND ALL THE PLEDGEES

UNION BANK, N.A.

By _____
Name: J. William Bloore
Title: Vice President

Annex 1. to the Supplemental Agreement

DETAILS OF ADDITIONAL SHARES

WOONGJIN ENERGY CO., LTD.

Shareholder	Type of Shares	Number of Shares
Sunpower Corporation		

SHARE KUN-PLEDGE AGREEMENT

dated as of April 27, 2011

among

SUNPOWER CORPORATOIN
as Pledgor

THE FINANCIAL INSTITUTIONS
named herein as Pledgees

UNION BANK, N.A.
as Administrative Agent

relating to

CREDIT AGREEMENT DATED AS OF OCTOBER 29, 2010

CONTENTS

Exhibit 10.13

SUNPOWER CORPORATION

FORM OF RETENTION AGREEMENT

This Retention Agreement (this "**Agreement**") is entered into by and between SunPower Corporation, a Delaware corporation (the "**Company**"), and [name] ("**Executive**" and, together with the Company, the "**Parties**"), effective as of and contingent upon the Offer Closing (as defined below).

WHEREAS, Executive and the Company have entered into an Employment Agreement as of [August 28, 2008] (the "**Employment Agreement**").

WHEREAS, the Company and Total Gas & Power USA S.A.S., a French *société par actions simplifiée* (the "**Acquiror**"), expect to enter into a Tender Offer Agreement (the "**Tender Offer Agreement**").

WHEREAS, upon the "**Offer Closing**" (as defined in the Tender Offer Agreement), Acquiror will acquire a certain percentage of the outstanding shares of the Company's Class A Common Stock and the Company's Class B Common Stock pursuant to the terms of the Tender Offer Agreement, and such purchase will be considered a "Change of Control" as defined in the Employment Agreement.

WHEREAS, Executive and the Company desire to acknowledge and agree that the Offer Closing will not impact Executive's and the Company's respective rights and obligations under the Employment Agreement, except as provided in this Agreement.

NOW THEREFORE, in consideration of the promises made herein and contingent upon the Offer Closing, the Parties hereby agree as follows:

1. Continuation of Employment Agreement. The Parties hereby agree that, as of the Offer Closing, Executive's and the Company's respective rights and obligations under the Employment Agreement shall remain in effect in the same manner and to the same extent as applied prior to the Offer Closing, except to the extent modified herein. The Company further agrees that it will not provide a notice of non-renewal to Executive pursuant to Section 3 of the Employment Agreement to terminate such agreement at the end of its "initial term" within the meaning of Section 3 therein.

2. Extension of Severance Protection. The Parties hereby agree that Section 10(g) in the Employment Agreement (definition of "In Connection with a Change of Control") is hereby amended to replace the reference to "twenty-four (24)" therein and insert "thirty-six (36)" in lieu thereof. For the avoidance of doubt, it is the Parties' intent that, if Executive incurs a termination without "Cause" (as such term is defined in the Employment Agreement) or a termination for "Good Reason" (as such term is defined in the Employment Agreement) at any time during the thirty-six

(36) month period following the Offer Closing, Executive shall become entitled to the severance benefits described in the Employment Agreement, subject to the requirements set forth therein.

3. Term of Employment. The Parties hereby agree that the terms and conditions of Executive's employment with the Company shall, on and after the Offer Closing, continue to be subject to all of the same terms and conditions which existed prior to the Offer Closing except as expressly provided herein. In particular, the Parties agree that Executive shall have the same base salary, bonus opportunity, work location, position and duties with the Company as existed prior to the Offer Closing, subject to any such changes and/or revisions to any terms and conditions of employment which Executive has agreed to in writing with the Company prior to the Offer Closing.

4. Acknowledgement of No Good Reason. Executive hereby acknowledges and agrees that the acquisition of Company stock by the Acquiror and the subsequent continuation without any material reduction of the terms and conditions of Executive's employment specified in Section 3 of this Agreement does not constitute grounds for a termination for "Good Reason," as defined in Section 10(f) of the Employment Agreement. The Parties hereby acknowledge and agree that Executive has not agreed to waive the right, at any time within the thirty-six (36) month period following the Offer Closing, to voluntarily resign for "Good Reason" (as any such event is defined in the Employment Agreement) so as to become eligible for the change of control severance benefits provided in the Employment Agreement, subject to the terms set forth in the Employment Agreement.

5. Equity Grant. In consideration of Executive's acknowledgments and agreements contained herein, the Company shall, contingent on the Offer Closing and promptly following the Offer Closing, grant Executive [########][1] restricted stock units ("**Company RSUs**") which shall be subject to the terms and conditions of the Company's Second Amended and Restated 2005 Stock Incentive Plan (the "**Plan**") and a form of Company RSU agreement to be mutually agreed upon between the Company and the Acquiror. The Company RSUs shall vest as to one-third (1/3rd) of the Company RSUs subject to such award on each of the first three (3) anniversaries of the Offer Closing, subject to Executive remaining employed with the Company on each applicable vesting date.

6. Change of Control. The Parties acknowledge that for all purposes of the Employment Agreement, the occurrence of the Offer Closing will constitute a "Change of Control" as defined in the Employment Agreement. Notwithstanding the foregoing, the Parties agree that the Company RSUs set forth in Section 5 above shall not be subject to any accelerated vesting on account of any termination of Executive's employment without "Cause" or Executive's voluntary resignation for "Good Reason" which occurs during the thirty-six (36) month period after the Offer Closing. However, should the Company undergo a subsequent "Change of Control" as defined in the Employment Agreement, which does not involve the Acquiror or any of its affiliates, then the

[1]Mr. Thomas H. Werner, 300,000; Mr. Howard J. Wenger, 120,000; Mr. James S. Pape, 120,000; Mr. Marty T. Neese, 120,000; and Mr. Douglas J. Richards, 100,000.

Company RSUs will be subject to all the terms and conditions of the Employment Agreement in such transaction, including any vesting acceleration protections therein.

7. Section 280G. Notwithstanding anything in this Agreement to the contrary, if any payment or benefit that Executive would receive from the Company or otherwise, including specifically the Company RSUs (each a "**Payment**") would (i) constitute a "parachute payment" within the meaning Section 280G of the Internal Revenue Code of 1986, as amended ("**Section 280G**"); and (ii) but for this sentence, be subject to the excise tax imposed by Internal Revenue Code Section 4999 (the "**Excise Tax**"), then such Payment shall be either delivered in full or delivered to such lesser extent, as provided in Section 8(b) of the Employment Agreement. For purposes of clarity, the Parties agree that this provision will apply to a Change of Control resulting from the Offer Closing as well as any subsequent Change of Control.

8. Terms and Conditions. Subject to the provisions herein, the terms, conditions, protections and definitions of the Employment Agreement will remain in full force and effect.

9. Integration. This Agreement, together with the Employment Agreement, represents the entire agreement and understanding between the Parties as to the subject matter herein and supersedes all prior or contemporaneous agreements whether written or oral. This Agreement may be modified only by agreement of the parties by a written instrument executed by the parties that is designated as an amendment to this Agreement.

10. Governing Law. This Agreement will be governed by the laws of the State of California (with the exception of its conflict of laws provisions).

11. Arbitration. The Parties agree that any and all disputes arising out of the terms of or relating in any way to this Agreement, their interpretation, and any of the matters herein released, shall be subject to binding arbitration in San Francisco, California before a retired judge then employed by the Judicial Arbitration and Mediation Service (JAMS) under its employment arbitration rules and procedures, supplemented by the California Code of Civil Procedure, and the Company agrees to pay the fees and costs of the arbitrator. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. **The Parties hereby agree to waive their right to have any dispute between them resolved in a court of law by a judge or jury.** This paragraph will not prevent either party from seeking preliminary injunctive relief (or any other provisional remedy) in aid of arbitration from any court having jurisdiction over the Parties under applicable state laws.

12. Acknowledgment. Executive acknowledges that he has had the opportunity to discuss this matter with and obtain advice from Executive's private attorney, has had sufficient time to, and has carefully read and fully understands all the provisions of this Agreement, and is knowingly and voluntarily entering into this Agreement.

13. Counterparts. This Agreement may be executed in counterparts, and each counterpart will have the same force and effect as an original and will constitute an effective, binding agreement on the part of each of the undersigned.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below.

SUNPOWER CORPORATION

Dated: _____, 2011 By_____
Name:
Title:

AGREED:

[**NAMED EMPLOYEE], an individual**

Dated: _____, 2011 _____
[**NAMED EMPLOYEE]**

Exhibit 10.14

CONFIDENTIAL TREATEMENT REQUESTED

CONFIDENTIAL PORTIONS OF THIS DOCUMENT HAVE BEEN REDACTED AND HAVE BEEN SEPARATELY FILED WITH THE SECURITIES AND EXCHGANGE COMMISSION

AMENDMENT NO. 1
Dated as of May 25, 2011

to

EUR 75,000,000
REVOLVING CREDIT AGREEMENT
Dated as of November 23, 2010

among

SUNPOWER CORPORATION
as Parent

and

SUNPOWER CORPORATION MALTA HOLDINGS LIMITED
as Borrower
and

SOCIÉTÉ GÉNÉRALE, MILAN BRANCH
as Lender

This Amendment No. 1 to the Revolving Credit Agreement (this "**Amendment**") is dated as of May 25, 2011 and entered into among SUNPOWER CORPORATION, a Delaware Corporation (the "**Parent**"), SUNPOWER CORPORATION MALTA HOLDINGS LIMITED, a limited liability company registered under the laws of Malta (registration number C41439) with registered office at Suite 1, Level 2, Forni Complex, Valletta Waterfront, Pinto Wharf, Floriana FRN 1913, Malta (the "**Borrower**") and Société Générale, Milan Branch, a company incorporated as a société anonyme under the laws of France, having its registered office at Boulevard Haussmann 29, 75009 Paris, with a fully paid-up corporate capital of EUR 933,027,038.75 (nine hundred and thirty-three million twenty-seven thousand and thirty-eight/75), which acts for the purposes hereof through its Italian branch, whose offices are located in Via Olona 2, Milan, tax code and registration number at the Companies Registry of Milan No. 80112150158, enrolled in the register of the banks held by Bank of Italy under No. 4858 as lender (the "**Lender**"), and is made with reference to that certain Revolving Credit Agreement dated as of November 23, 2010 among the Parent, the Borrower and the Lender (as amended, restated, amended and restated, supplemented and/or otherwise modified prior to the date hereof, the "**Credit Agreement**").

Whereas, the Parent, the Borrower and the Lender are party to the Credit Agreement and are entering into this Amendment to amend the Credit Agreement in accordance with Section 7.01 thereof.

Now, therefore, in consideration of the premises and mutual covenants contained herein, the parties hereto agree as follows:

1 Amendments

1.1 Section 1.01 is hereby amended by adding the following terms in the proper alphabetical order:

"**CEDA Bond Documentation**" means that certain Loan Agreement, dated as of December 1, 2010, by and between the California Enterprise Development Authority (the "**CEDA Issuer**") and the Parent, as such agreement may be amended, restated, modified and supplemented from time to time pursuant to any bond conversion documentation or otherwise (the "**CEDA Loan Agreement**"), pursuant to which the CEDA Issuer issued up to $30,000,000 in aggregate principal amount of Recovery Zone Facility Revenue Bonds (SunPower Corporation - Headquarters Project) Series 2010 (the "**CEDA Bonds**"), as evidenced by a Note dated December 29, 2010, made by the Parent in favor of the CEDA Issuer and assigned by the CEDA Issuer to the Trustee with respect to the CEDA Bonds, the direct-pay irrevocable letter of credit issued by Barclays Bank PLC ("**Barclays**"), in the amount of $30,374,794.52, in favor of the trustee with respect to the CEDA bonds, and the Reimbursement Agreement, dated as of December 1, 2010, between the Parent and Barclays.

"**EONIA**" means the Euro Overnight Index Average.

"**IFC Guarantee Agreement**" means that certain Guarantee Agreement dated as of May 6, 2010 among, *inter alia*, the Parent and International Financial Corporation, as such agreement may be amended or restated from time to time.

"**Total**" means Total S.A., a société anonyme organized under the laws of the Republic of France, and its Affiliates.

"**Total Acquisition**" means the acquisition by Total of more than 50% of the Parent's issued and outstanding class A common stock and class B common stock.

1.2 The definition of "**Applicable Margin**" in Section 1.01 is hereby amended by deleting it in its entirety and replacing it with the following:

"**Applicable Margin**" means a per annum rate equal to (a) 3.25% for any Advance or portion of any Advance outstanding before May 26, 2011, and (b) 2.70% for any Advance or portion of any Advance outstanding on May 26, 2011 or thereafter.

1.3 The definition of "**Change of Control**" in Section 1.01 is hereby amended by deleting it in its entirety and replacing it with the following:

"**Change of Control**" means the occurrence of any of the following, in a series of one or more transactions: (i) the acquisition of ownership, directly or indirectly, beneficially or of record, by any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) of Capital Stock of the Parent representing more than 50% of the aggregate Voting Stock of the Parent, other than any such acquisition by Total pursuant to the Total Acquisition, (ii) the Parent shall fail to own, directly or indirectly, beneficially and of record, shares representing more than 50% of the aggregate Voting Stock of the Borrower at any point in time, (iii) during any period of up to six (6) consecutive months, commencing on or after the date of this Agreement, a majority of the members of the board of directors of the Borrower shall not be Continuing Directors or (iv) following the successful completion of the Total Acquisition, Total ceases to own directly or indirectly 50% or more of the common stock of any Loan Party.

1.4 The definition of "**Maturity Date**" in Section 1.01 is hereby amended by deleting the reference to "May 23, 2011" and replacing it with "November 23, 2011".

1.5 The definition of "**Termination Date**" in Section 1.01 is hereby amended by deleting reference to "April 23, 2011" and replacing it with "October 23, 2011".

1.6 Section 2.05(a) is hereby amended by deleting it in its entirety and replacing it with the following:

"(a) Scheduled Interest. The Borrower shall pay interest on the unpaid principal amount of each Advance owing to the Lender from the date of such Advance until such principal amount shall be paid in full, at a rate per annum equal at all times during each Interest Period to the sum of (x) EURIBOR for such Interest Period plus (y) the Applicable Margin in effect from time to time plus (z) Mandatory Costs, if any, payable in arrears on the last day of such Interest Period and on the date such Advance shall be paid in full *provided that*:

(i) for the period from and including May 23, 2011 to and including May 25, 2011, interest shall be calculated at a rate per annum equal to the sum of (x) EONIA for each day during this period plus (y) the Applicable Margin plus (z) Mandatory Costs, if any, and shall be payable on the date of execution of this Amendment; and

(ii) for the period from and including May 26, 2011 to and including June 22, 2011, interest shall be calculated at a rate per annum equal to sum of (x) the

Reference Banks rate for such period plus (y) the Applicable Margin plus (z) Mandatory Costs, if any, and shall be payable on June 23, 2011."

1.7 A new Section 2.08(c) shall be added as follows:

"(c) If for any reason, the Total Acquisition does not complete successfully by July 20, 2011, the Borrower shall, within five (5) Business Days of such date, make a mandatory prepayment in respect of the Advances in an amount equal to the full amount of the Advances then outstanding at which time the Commitment shall terminate."

1.8 Section 2.13 is hereby amended by deleting it in its entirety and replacing it with the following:

"SECTION 2.13. Use of Proceeds. The proceeds of the Advances shall be available (and the Borrower agrees that it shall use such proceeds) solely for working capital and other general corporate purposes of the Borrower and its Subsidiaries."

1.9 A new Section 2.14 shall be added as follows:

"SECTION 2.14. Increase in Commitments. The Loan Parties and the Lender hereby acknowledge and agree that following the successful completion of the Total Acquisition, a bank or financial institution acceptable to the Loan Parties and the Lender may provide additional commitments hereunder up to a total amount equal to EUR 25,000,000 provided that any such increase in the Commitment shall be subject to (i) the making of appropriate amendments to the Loan Documents to effect any such increase and the participation of another lender, all in form and substance satisfactory to the Loan Parties and the Lender, (ii) the representations and warranties contained in Section 4.01 being correct on and as of such date and (iii) a confirmation from the Loan Parties that no event has occurred and is continuing as of such date that constitutes a Default. For the avoidance of doubt, nothing contained in this Agreement shall be deemed to imply a willingness on the part of SG to increase or extend its Commitment or provide any further financing hereunder."

1.10 A new Section 5.01(l) shall be added as follows:

"(l) Bank Account. As soon as practicable (and in any event no later than June 10, 2011), the Borrower will open and cause to be maintained a new bank account with the Lender for the purposes of administering payments due under this Agreement. The parties hereby agree that (i) any Advances made by the Lender under this Agreement shall be credited to such account, and (ii) such account shall be charged by the Lender for the payment or repayment of any principal, interest, fees and expenses due to the Lender under the terms of the Loan Documents."

1.11 A new Section 5.02(b)(xix) shall be added as follows:

"(xix) Debt of any Loan Party or Subsidiary pursuant to the CEDA Bond Documentation in an aggregate principal amount not to exceed US$33,000,000."

1.12 Section 5.03(a) is hereby amended by deleting such section in its entirety and replacing it with the following:

"(a) At all times maintain on a consolidated basis unrestricted cash and cash equivalents in an aggregate amount not less than US$125,000,000."

1.13 Section 5.03(d) is hereby amended by deleting the words '"from and after the fourth fiscal quarter of 2010".

1.14 Section 5.03(e) is hereby amended by deleting such section in its entirety.

1.15 Section 6.01(n) is hereby amended by deleting such section in its entirety and replacing it with the following:

"The Parent shall fail to perform or observe any term, covenant or agreement in the IFC Guarantee Agreement, the L/C Facility Agreement, the Union Bank Credit Agreement or the CEDA Bonds Documentation, or (ii) a default or event of default shall have occurred and be continuing under the IFC Guarantee Agreement, the L/C Facility Agreement, the Union Bank Credit Agreement or the CEDA Bonds Documentation".

1.16 Schedule 3.01 is hereby amended by deleting such schedule in its entirety and replacing it with the new Schedule 3.01 appended hereto.

1.17 Schedule 4.02(f) is hereby amended by deleting such schedule in its entirety and replacing it with the new Schedule 4.02(f) appended hereto.

1.18 Schedule 5.02(a) is hereby amended by deleting such schedule in its entirety and replacing it with the new Schedule 5.02(a) appended hereto.

2 Arrangement Fee

The Borrower shall pay to the Lender on the date hereof an arrangement fee in the amount of EUR 375,000 (the "**Arrangement Fee**"). For the avoidance of doubt, the Arrangement Fee shall be for the sole account of the Lender in consideration for its agreement to this Amendment.

3 Effectiveness

This Amendment shall become effective as of May 25, 2011 (the "**Amendment No. 1 Effective Date**"), provided that the Lender shall have received a copy of this Amendment executed and delivered by the Parent, the Borrower and the Lender, and each of the following conditions precedent shall have been satisfied on or before such date:

(a) There shall have occurred no Material Adverse Change since January 2, 2011;

(b) There shall exist no action, suit, investigation, litigation or proceeding affecting any Loan Party or any of the Borrower's Subsidiaries pending or threatened before any court, governmental agency or arbitrator that (i) could be reasonably likely to have a Material Adverse Effect or (ii) purports to affect the legality, validity or enforceability of any of the Loan Documents or the consummation of the transactions contemplated hereby;

(c) All governmental and third party consents and approvals necessary in connection with the transactions contemplated hereby shall have been obtained (without the imposition of any conditions that are not acceptable to the Lender) and shall remain in effect, and no law or regulation shall be applicable in the reasonable judgment of the Lender that

restrains, prevents or imposes materially adverse conditions upon the transactions contemplated hereby;

(d) The following statements shall be true and the Lender shall have received a certificate signed by a duly authorized officer of each Loan Party, dated the Effective Date, stating that:

(i) The representations and warranties contained in Section 4.01 of the Credit Agreement (as amended by this Amendment) are correct on and as of the Amendment No. 1 Effective Date, and

(ii) No event has occurred and is continuing that constitutes a Default;

(e) The Lender shall have received on or before the Amendment No. 1 Effective Date the following, each dated such date, in form and substance satisfactory to the Lender:

(i) Certified copies of the (A) resolutions of the Board of Directors (or an authorized committee thereof) of each Loan Party approving the terms of, and authorizing entry into the this Amendment, (B) resolutions of the shareholders of the Borrower approving the terms of and authorizing entry into this Amendment, (C) the Constituent Documents of each Loan Party as in effect on the date the resolutions specified in clause (A) were adopted and (D) all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to the this Amendment, and a certificate of the Secretary or an Assistant Secretary of each Loan Party certifying the absence of any change or amendment to the Constituent Documents of such Loan Party since the date the resolutions specified in clause (A) were adopted;

(ii) A certificate of the Secretary or an Assistant Secretary of each Loan Party certifying that (A) the names and true signatures of the officers of such Loan Party authorized to sign the this Amendment and the other documents to which it is a party to be delivered by it hereunder, and (B) the documents listed in this Section 3 are correct, complete and in full force and effect and have not been amended or superseded as of the date of the certificate;

(iii) A Compliance Certificate from the Parent signed by the Chief Financial Officer or Secretary of the Parent; and

(iv) A favorable opinion of (A) Jones Day, New York counsel for the Loan Parties and (B) Mamo TCV Advocates, Maltese counsel to the Loan Parties, each in a form and substance satisfactory to the Lender; and

(f) The Borrower shall have paid the Arrangement Fee and all other accrued fees, costs and expenses of the Lender (including the accrued fees and expenses of counsel to the Lender).

4 Reaffirmation of Guaranty

The Parent consents in all respects to the execution by the Borrower of this Amendment and acknowledges and confirms that the Guaranty, pursuant to which it guarantees the full payment and performance of the obligations of the Borrower under the Credit Agreement as amended by

this Amendment, remains in full force and effect in accordance with its terms and any reference to the "Credit Agreement" in the Guaranty shall be deemed to be a reference to the Credit Agreement as hereby amended.

5 Defined Terms; Interpretation; Etc.

The Credit Agreement and this Amendment shall henceforth be read and construed together as one agreement and the Credit Agreement shall be modified accordingly. Save as expressly provided herein, the Credit Agreement and each other Loan Document shall remain in full force and effect. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Credit Agreement. This Amendment shall be a "Loan Document" for all purposes of the Credit Agreement and the other Loan Documents. Section and subsection references in this Amendment (other than in the headings) shall refer to sections and subsections in the Credit Agreement unless otherwise indicated.

6 Counterparts

This Amendment may be signed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. A facsimile or other electronically transmitted copy of this Amendment shall have the same force and effect as delivery of an original copy.

7 Governing Law, Submission to Jurisdiction and Service of Process

The provisions contained in the Credit Agreement, insofar as they relate to governing law, the submission by the Borrower and the Parent to the courts specified therein and appointment of an agent for the receipt of service of process shall apply to this Amendment *mutatis mutandis* as if they were incorporated herein.

[Remainder of page intentionally left blank.]

In Witness Whereof, the parties hereto have caused this Amendment to be duly executed on the day and year first above written.

SUNPOWER CORPORATION

/s/ Dennis Arriola

By Dennis Arriola
Title: EVP & CFO

SUNPOWER CORPORATION MALTA HOLDINGS LIMITED

/s/ Dennis Arriola

By Dennis Arriola
Title: Director

Lender

/s/ Leonardo Pecciarini

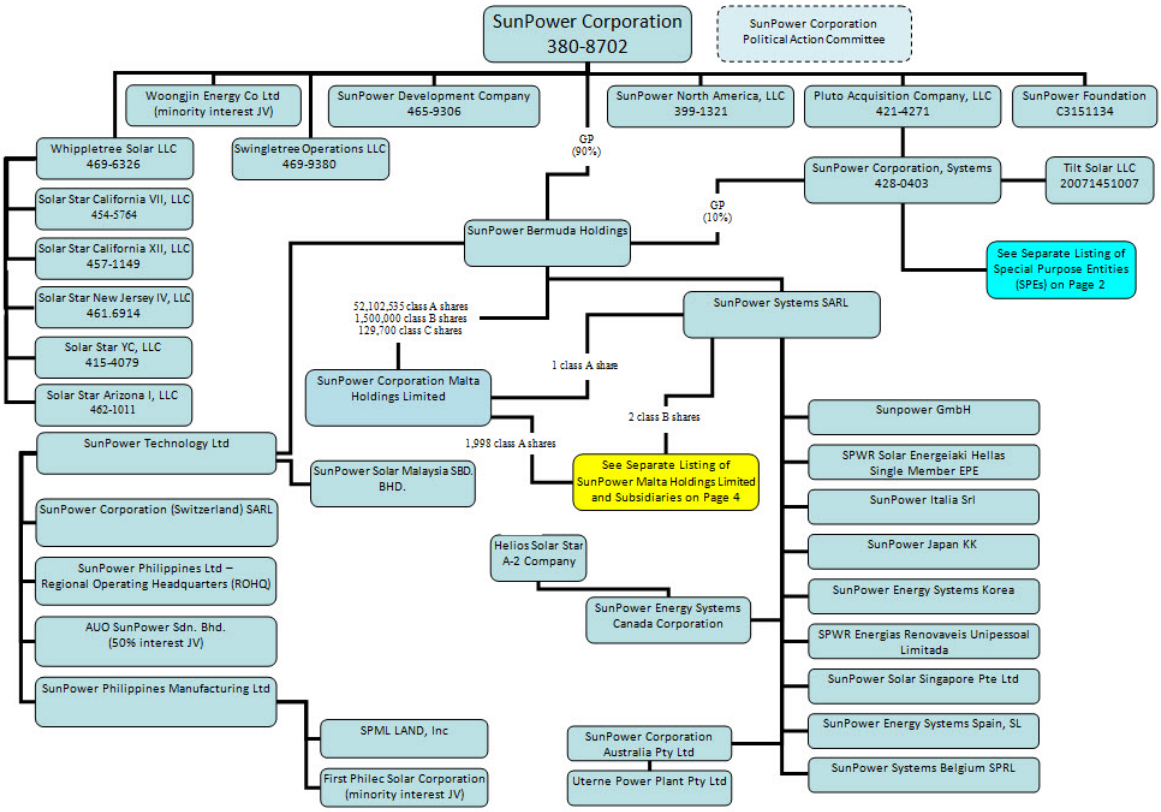
Lending Office

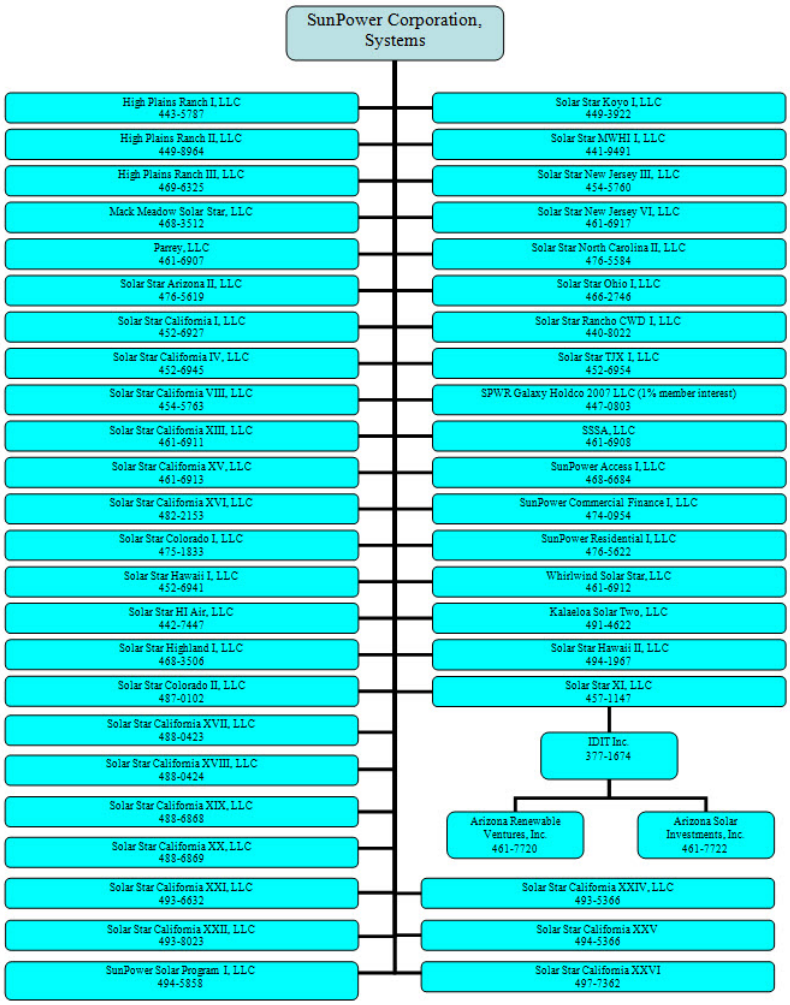
SOCIÉTÉ GÉNÉRALE, MILAN BRANCH

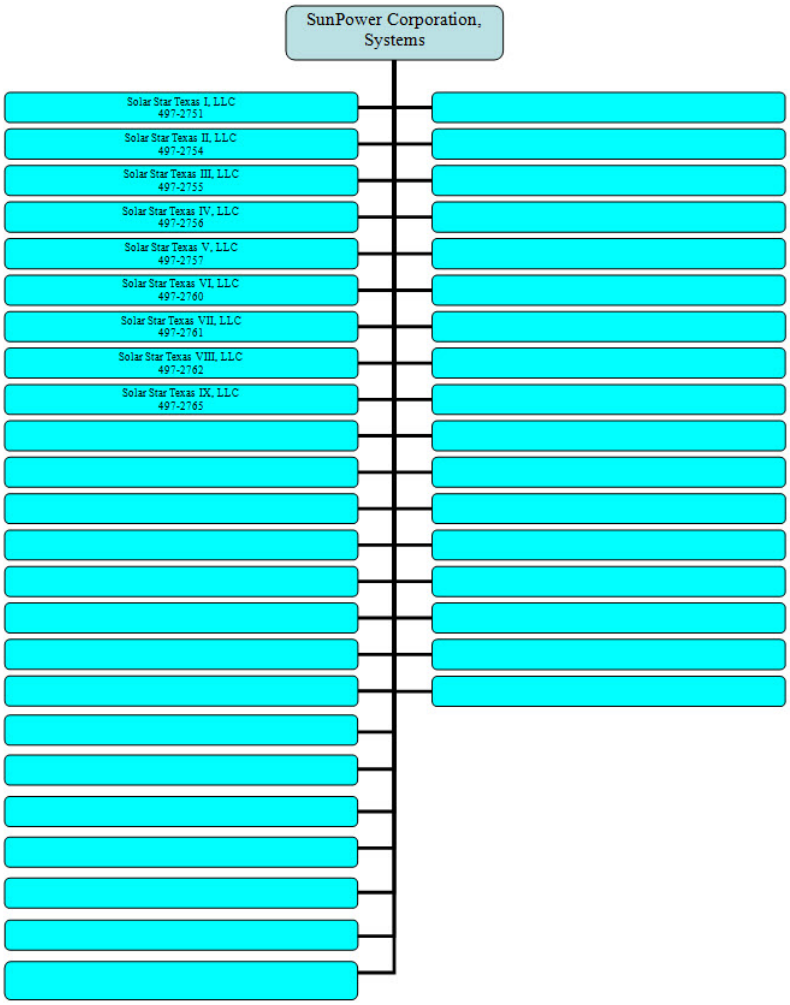
By Leonardo Pecciarini
Title: Attorney

SCHEDULE 3.01

CORPORATE ORGANIZATIONAL STRUCTURE


SunPower Corporation
380-8702
SunPower Corporation
Political Action Committee
Woongjin Energy Co Ltd
(minority interest JV)
SunPower Development Company
465-9306
SunPower North America, LLC
399-1321
Pluto Acquisition Company, LLC
421-4271
SunPower Foundation
C3151134
Whippletree Solar LLC
469-6326
Swingletree Operations LLC
469-9380
GP
(90%)
SunPower Corporation, Systems
428-0403
Tilt Solar LLC
20071451007
Solar Star California VII, LLC
454-5764
GP
(10%)
Solar Star California XII, LLC
457-1149
SunPower Bermuda Holdings
See Separate Listing of
Special Purpose Entities
(SPEs) on Page 2
Solar Star New Jersey IV, LLC
461.6914
52,102,535 class A shares
1,500,000 class B shares
129,700 class C shares
SunPower Systems SARL
Solar Star YC, LLC
415-4079
1 class A share
SunPower Corporation Malta
Holdings Limited
Solar Star Arizona I, LLC
462-1011
2 class B shares
Sunpower GmbH
1,998 class A shares
SunPower Technology Ltd
SunPower Solar Malaysia SBD
BHD.
See Separate Listing of
SunPower Malta Holdings Limited
and Subsidiaries on Page 4
SPWR Solar Energeiaki Hellas
Single Member EPE
SunPower Corporation (Switzerland) SARL
SunPower Italia Srl
Helios Solar Star
A-2 Company
SunPower Philippines Ltd –
Regional Operating Headquarters (ROHQ)
SunPower Japan KK
SunPower Energy Systems
Canada Corporation
SunPower Energy Systems Korea
AUO SunPower Sdn. Bhd.
(50% interest JV)
SPWR Energias Renovaveis Unipessoal
Limitada
SunPower Philippines Manufacturing Ltd
SunPower Solar Singapore Pte Ltd
SPML LAND, Inc
SunPower Corporation
Australia Pty Ltd
SunPower Energy Systems Spain, SL
First Philec Solar Corporation
(minority interest JV)
Uterne Power Plant Pty Ltd
SunPower Systems Belgium SPRL


SunPower Corporation, Systems
High Plains Ranch I, LLC 443-5787
High Plains Ranch II, LLC 449-8964
High Plains Ranch III, LLC 469-6325
Mack Meadow Solar Star, LLC 468-3512
Parrey, LLC 461-6907
Solar Star Arizona II, LLC 476-5619
Solar Star California I, LLC 452-6927
Solar Star California IV, LLC 452-6945
Solar Star California VIII, LLC 454-5763
Solar Star California XIII, LLC 461-6911
Solar Star California XV, LLC 461-6913
Solar Star California XVI, LLC 482-2153
Solar Star Colorado I, LLC 475-1833
Solar Star Hawaii I, LLC 452-6941
Solar Star HI Air, LLC 442-7447
Solar Star Highland I, LLC 468-3506
Solar Star Colorado II, LLC 487-0102
Solar Star California XVII, LLC 488-0423
Solar Star California XVIII, LLC 488-0424
Solar Star California XIX, LLC 488-6868
Solar Star California XX, LLC 488-6869
Solar Star California XXI, LLC 493-6632
Solar Star California XXII, LLC 493-8023
SunPower Solar Program I, LLC 494-5858
Solar Star Koyo I, LLC 449-3922
Solar Star MWHI I, LLC 441-9491
Solar Star New Jersey III, LLC 454-5760
Solar Star New Jersey VI, LLC 461-6917
Solar Star North Carolina II, LLC 476-5584
Solar Star Ohio I, LLC 466-2746
Solar Star Rancho CWD I, LLC 440-8022
Solar Star TJX I, LLC 452-6954
SPWR Galaxy Holdco 2007 LLC (1% member interest) 447-0803
SSSA, LLC 461-6908
SunPower Access I, LLC 468-6684
SunPower Commercial Finance I, LLC 474-0954
SunPower Residential I, LLC 476-5622
Whirlwind Solar Star, LLC 461-6912
Kalaeloa Solar Two, LLC 491-4622
Solar Star Hawaii II, LLC 494-1967
Solar Star XI, LLC 457-1147
IDIT Inc. 377-1674
Arizona Renewable Ventures, Inc. 461-7720
Arizona Solar Investments, Inc. 461-7722
Solar Star California XXIV, LLC 493-5366
Solar Star California XXV 494-5366
Solar Star California XXVI 497-7362


SunPower Corporation, Systems
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497-2751
Solar Star Texas II, LLC
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Solar Star Texas III, LLC
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Solar Star Texas IV, LLC
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Solar Star Texas V, LLC
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Solar Star Texas VI, LLC
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Solar Star Texas VII, LLC
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Solar Star Texas VIII, LLC
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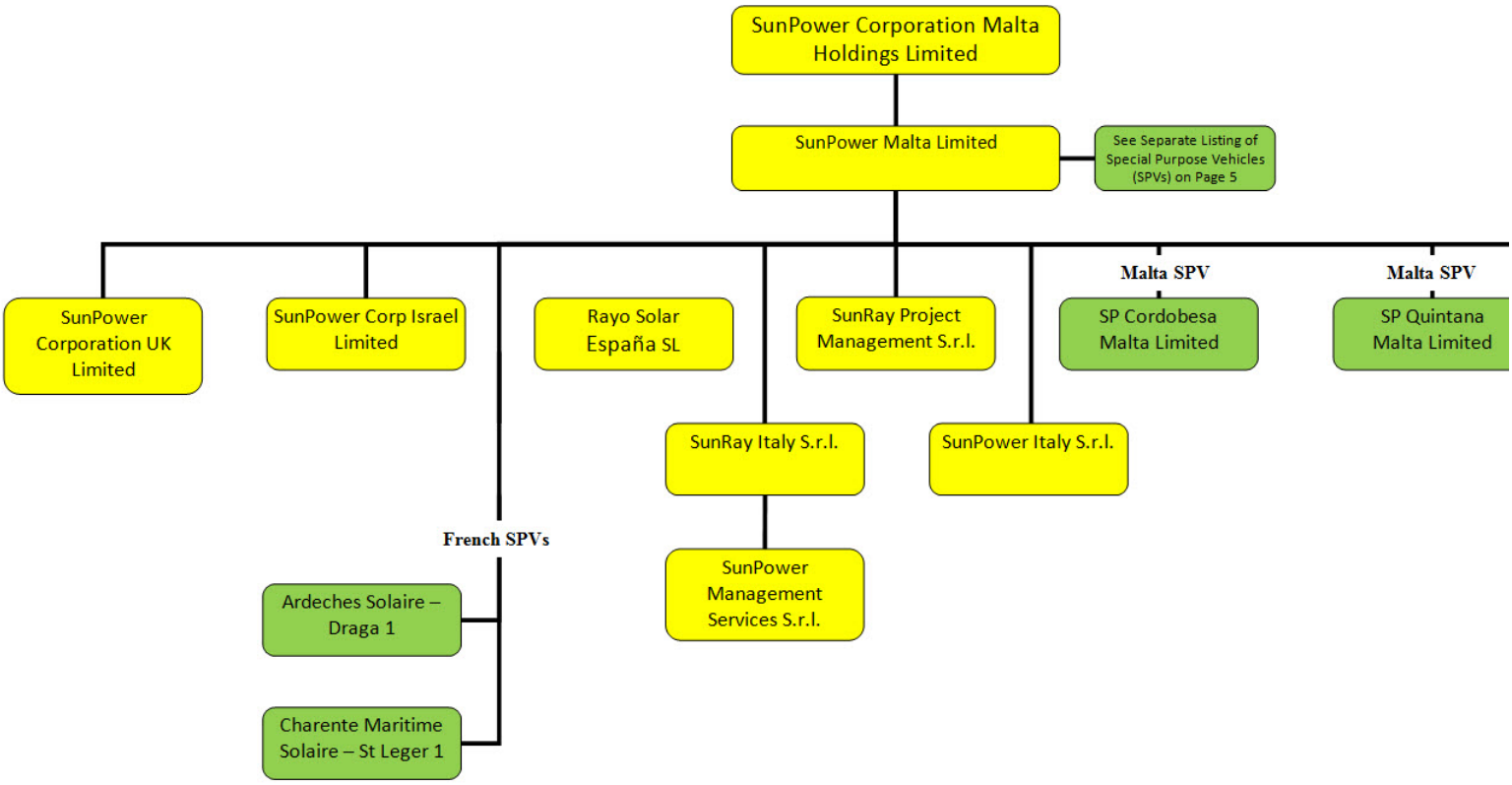
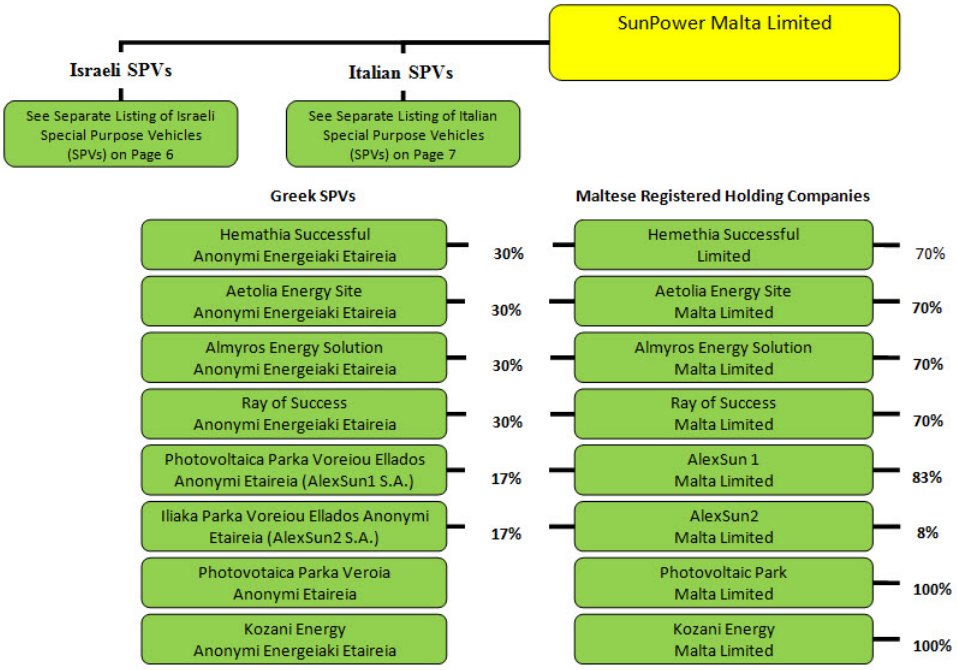
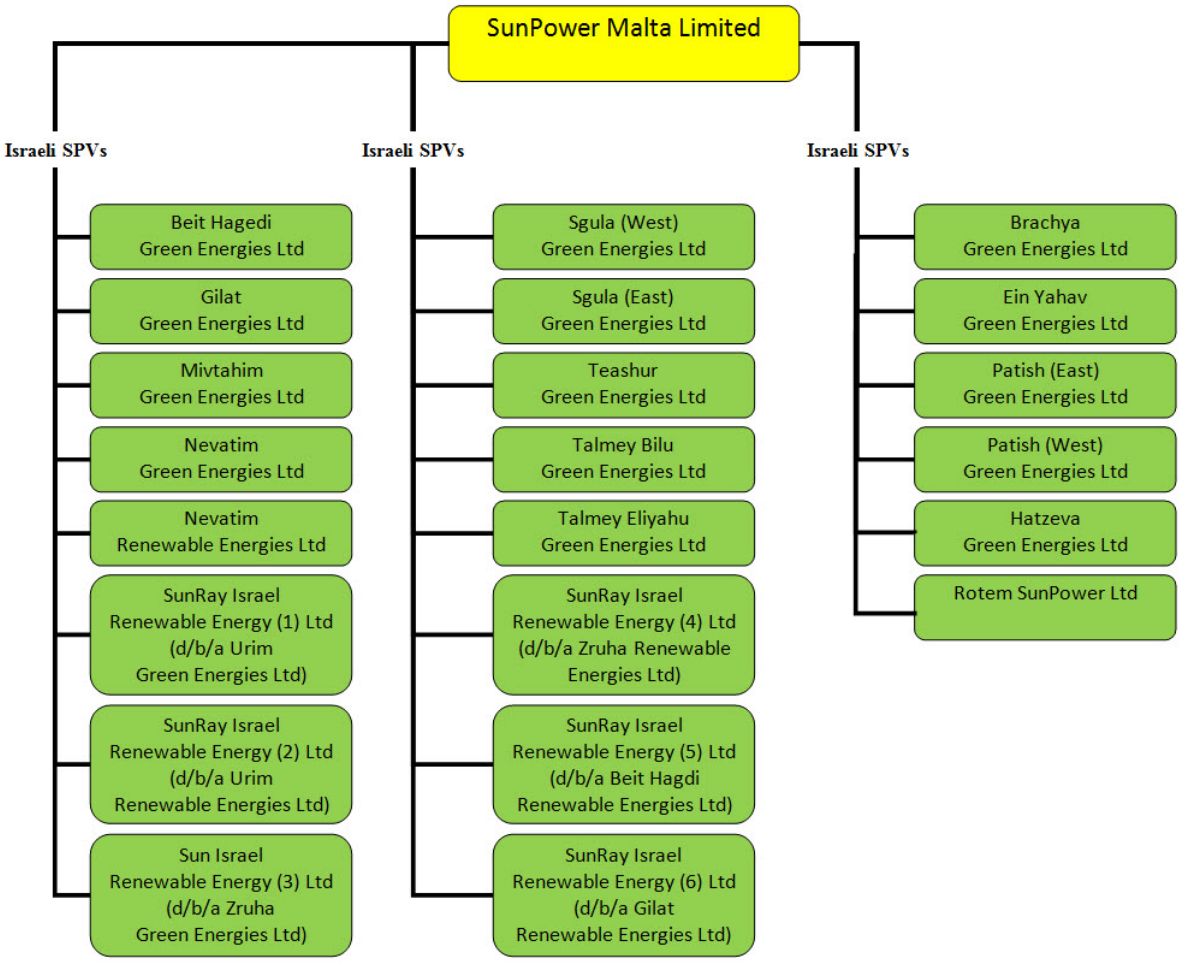
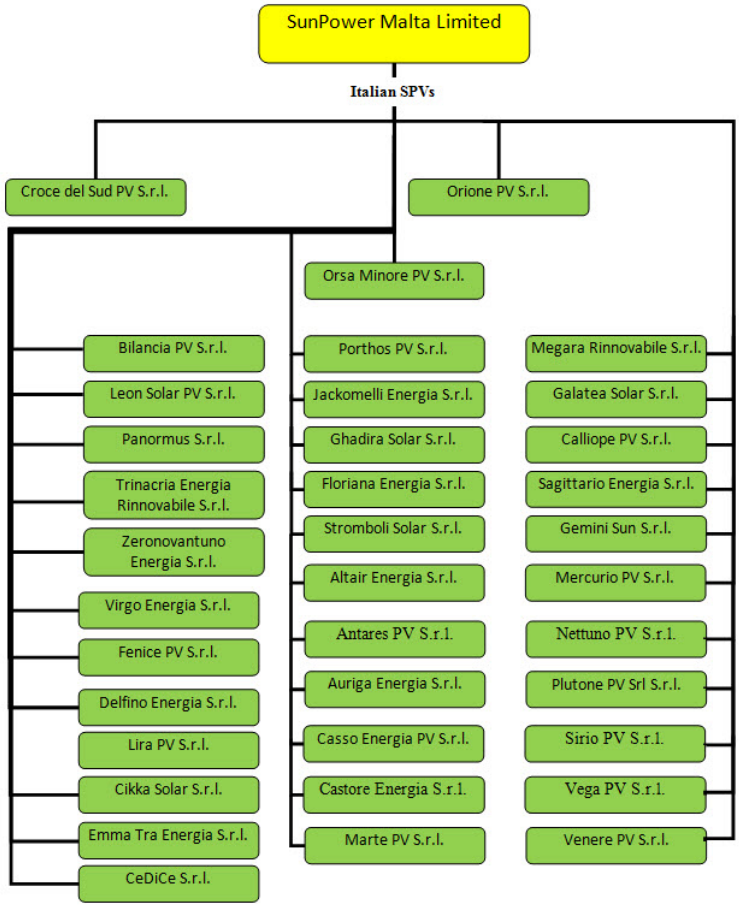
Solar Star Texas IX, LLC
497-2765


SunPower Corporation Malta Holdings Limited
SunPower Malta Limited
See Separate Listing of Special Purpose Vehicles (SPVs) on Page 5
SunPower Corporation UK Limited
SunPower Corp Israel Limited
Rayo Solar España SL
SunRay Project Management S.r.l.
Malta SPV
SP Cordobesa Malta Limited
Malta SPV
SP Quintana Malta Limited
SunRay Italy S.r.l.
SunPower Italy S.r.l.
French SPVs
SunPower Management Services S.r.l.
Ardeches Solaire – Draga 1
Charente Maritime Solaire – St Leger 1


SunPower Malta Limited
Israeli SPVs
See Separate Listing of Israeli Special Purpose Vehicles (SPVs) on Page 6
Italian SPVs
See Separate Listing of Italian Special Purpose Vehicles (SPVs) on Page 7
Greek SPVs
Maltese Registered Holding Companies
Hemathia Successful Anonymi Energeiaki Etaireia
30%
Hemethia Successful Limited
70%
Aetolia Energy Site Anonymi Energeiaki Etaireia
30%
Aetolia Energy Site Malta Limited
70%
Almyros Energy Solution Anonymi Energeiaki Etaireia
30%
Almyros Energy Solution Malta Limited
70%
Ray of Success Anonymi Energeiaki Etaireia
30%
Ray of Success Malta Limited
70%
Photovoltaica Parka Voreiou Ellados Anonymi Etaireia (AlexSun1 S.A.)
17%
AlexSun 1 Malta Limited
83%
Iliaka Parka Voreiou Ellados Anonymi Etaireia (AlexSun2 S.A.)
17%
AlexSun2 Malta Limited
8%
Photovotaica Parka Veroia Anonymi Etaireia
Photovoltaic Park Malta Limited
100%
Kozani Energy Anonymi Energeiaki Etaireia
Kozani Energy Malta Limited
100%


SunPower Malta Limited
Israeli SPVs
Beit Hagedi Green Energies Ltd
Gilat Green Energies Ltd
Mivtahim Green Energies Ltd
Nevatim Green Energies Ltd
Nevatim Renewable Energies Ltd
SunRay Israel Renewable Energy (1) Ltd (d/b/a Urim Green Energies Ltd)
SunRay Israel Renewable Energy (2) Ltd (d/b/a Urim Renewable Energies Ltd)
Sun Israel Renewable Energy (3) Ltd (d/b/a Zruha Green Energies Ltd)
Israeli SPVs
Sgula (West) Green Energies Ltd
Sgula (East) Green Energies Ltd
Teashur Green Energies Ltd
Talmey Bilu Green Energies Ltd
Talmey Eliyahu Green Energies Ltd
SunRay Israel Renewable Energy (4) Ltd (d/b/a Zruha Renewable Energies Ltd)
SunRay Israel Renewable Energy (5) Ltd (d/b/a Beit Hagdi Renewable Energies Ltd)
SunRay Israel Renewable Energy (6) Ltd (d/b/a Gilat Renewable Energies Ltd)
Israeli SPVs
Brachya Green Energies Ltd
Ein Yahav Green Energies Ltd
Patish (East) Green Energies Ltd
Patish (West) Green Energies Ltd
Hatzeva Green Energies Ltd
Rotem SunPower Ltd


SunPower Malta Limited
Italian SPVs
Croce del Sud PV S.r.l.
Orione PV S.r.l.
Orsa Minore PV S.r.l.
Bilancia PV S.r.l.
Leon Solar PV S.r.l.
Panormus S.r.l.
Trinacria Energia Rinnovabile S.r.l.
Zeronovantuno Energia S.r.l.
Virgo Energia S.r.l.
Fenice PV S.r.l.
Delfino Energia S.r.l.
Lira PV S.r.l.
Cikka Solar S.r.l.
Emma Tra Energia S.r.l.
CeDiCe S.r.l.
Porthos PV S.r.l.
Jackomelli Energia S.r.l.
Ghadira Solar S.r.l.
Floriana Energia S.r.l.
Stromboli Solar S.r.l.
Altair Energia S.r.l.
Antares PV S.r.l.
Auriga Energia S.r.l.
Casso Energia PV S.r.l.
Castore Energia S.r.l.
Marte PV S.r.l.
Megara Rinnovabile S.r.l.
Galatea Solar S.r.l.
Calliope PV S.r.l.
Sagittario Energia S.r.l.
Gemini Sun S.r.l.
Mercurio PV S.r.l.
Nettuno PV S.r.l.
Plutone PV Srl S.r.l.
Sirio PV S.r.l.
Vega PV S.r.l.
Venere PV S.r.l.

SCHEDULE 4.02(F)

EXISTING LITIGATION

1. In November 2009, the Audit Committee of the Board of Directors of Parent (the "Audit Committee") initiated an independent investigation regarding certain unsubstantiated accounting entries. The Audit Committee announced the results of its investigation in March 2010. For information regarding the Audit Committee's investigation, a description of the control deficiencies identified by management as a result of the investigation as well as subsequent remediation, see Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8: Financial Statements and Supplementary Data in Parent's Annual Report on Form 10-K for the year ended January 3, 2010, and Item 9A: Controls and Procedures in Parent's Annual Reports on Form 10-K for the year ended January 3, 2010 and for the year ended January 2, 2011.

2. Three securities class action lawsuits were filed against the Parent and certain of its current and former officers and directors in the United States District Court for the Northern District of California on behalf of a class consisting of those who acquired the Parent's securities from April 17, 2008 through November 16, 2009. The cases were consolidated as Plichta v. SunPower Corp. et al., Case No. CV-09-5473-RS (N.D. Cal.), and lead plaintiffs and lead counsel were appointed on March 5, 2010. Lead plaintiffs filed a consolidated complaint on May 28, 2010. The actions arise from the Parent's Audit Committee's investigation announcement on November 16, 2009 regarding certain unsubstantiated accounting entries. The consolidated complaint alleges that the defendants made material misstatements and omissions concerning the Parent's financial results for 2008 and 2009, seeks an unspecified amount of damages, and alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Sections 11 and 15 of the Securities Act of 1933. The Parent believes it has meritorious defenses to these allegations and will vigorously defend itself in these matters. The court held a hearing on the defendants' motions to dismiss the consolidated complaint on November 4, 2010. The court dismissed the consolidated complaint with leave to amend on March 1, 2011. An amended complaint was filed on April 18, 2011. Parent's management currently believes that the ultimate outcome of the lawsuits will not have a Material Adverse Effect.

3. Derivative actions purporting to be brought on the Parent's behalf have also been filed in state and federal courts against several of the Parent's current and former officers and directors based on the same events alleged in the securities class action lawsuits described above. The California state derivative cases were consolidated as In re SunPower Corp. S'holder Derivative Litig., Lead Case No. 1-09-CV-158522 (Santa Clara Sup. Ct.), and co-lead counsel for plaintiffs have been appointed. The complaints assert state-law claims for breach of fiduciary duty, abuse of control, unjust enrichment, gross mismanagement, and waste of corporate assets. Plaintiffs are scheduled to file a consolidated complaint after entry of an order deciding defendants' motion to dismiss the amended class action complaint. The federal derivative complaints were consolidated as In re SunPower Corp. S'holder Derivative Litig., Master File No. CV-09-05731-RS (N.D. Cal.), and lead plaintiffs and co-lead counsel were appointed on January 4, 2010. The complaints assert state-law claims for breach of fiduciary duty, waste of corporate assets, and unjust enrichment, and seek an unspecified amount of damages. Plaintiffs filed a consolidated complaint on May 13, 2011. The Parent intends to oppose the derivative plaintiffs' efforts to pursue this litigation on the Parent's behalf. Parent's management currently believes that the ultimate outcome of the lawsuits will not have a Material Adverse Effect.

***

SCHEDULE 5.02(A)

EXISTING LIENS

1. Liens on deposit account number *** maintained in the name of Parent with Wells Fargo Bank, N.A., investment account number *** maintained in the name of Parent with Wells Fargo Bank, N.A., and multi-currency account numbers *** and *** maintained in the name of Parent with Wells Fargo Bank, N.A.'s Cayman Islands branch, securing the Wells Fargo Indebtedness (as defined in Schedule 5.02(b)).

2. Liens in connection with the CEDA Bond Documentation.

***

*** CONFIDENTIAL MATERIAL REDACTED AND SEPARATELY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.

Exhibit 10.15

NEW BANK JOINDER AGREEMENT

NEW BANK JOINDER AGREEMENT, dated as of May 27, 2011 (as it may be amended, supplemented or otherwise modified from time to time, this "Agreement"), among SUNPOWER CORPORATION, a Delaware corporation (the "Company"), DEUTSCHE BANK AG NEW YORK BRANCH, as Administrative Agent and as Issuing Bank (in such capacities, respectively, the "Administrative Agent" and the "Issuing Bank"), and Credit Agricole Corporate and Investment Bank, as a new Bank (the "New Bank").

Reference is made to the Letter of Credit Facility Agreement dated as of April 12, 2010 among the Company, the Subsidiary Guarantors, the Subsidiary Applicants parties thereto from time to time, the Banks parties thereto from time to time, the Issuing Bank, and the Administrative Agent (as it may be amended, supplemented or otherwise modified from time to time, the "Facility Agreement"). Unless the context requires otherwise, terms used herein as defined terms and not otherwise defined herein shall have the meanings given thereto in the Facility Agreement.

Pursuant to Section 2.04(b) of the Facility Agreement, (a) the Company desires to add the New Bank as a "Bank" under the Facility Agreement with a Commitment Amount of $25,000,000, (b) the New Bank desires to become a "Bank" under the Facility Agreement with a Commitment Amount of $25,000,000, and (c) each of the Administrative Agent and the Issuing Bank desires to approve the New Bank as a "Bank" under the Facility Agreement with a Commitment Amount of $25,000,000.

Accordingly, and for other good and lawful consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. In accordance with Section 2.04(b) of the Facility Agreement, the New Bank, the Company, the Issuing Bank, and the Administrative Agent hereby agree that, effective as of the date hereof, the New Bank shall be a "Bank" under the Facility Agreement with a Commitment Amount of $25,000,000.

2. The New Bank (a) represents and warrants to the Company and each of the Secured Parties that (i) it has full power and authority to execute and deliver this Agreement and that this Agreement has been duly authorized, executed and delivered by it and constitutes a valid and legally binding agreement, enforceable in accordance with its terms, and (ii) there is no provision of law, statute, regulation, rule, order, injunction, decree, writ or judgment, no provision of its organizational documents and no provision of any mortgage, indenture, contract or agreement binding on it or affecting its properties, which would prohibit, conflict with or in any way prevent its execution, delivery, or performance of the terms of this Agreement; (b) confirms that it has received a copy of the Facility Agreement and the other Loan Documents and such other documents and information as it has deemed appropriate to make its own decision to enter into this Agreement and become a party to the Facility Agreement; and (c) agrees that it will be bound by the provisions of and will perform in accordance with their terms all of the obligations which by the terms of the Facility Agreement or any other Loan Document are required to be performed by it as a Bank.

3. The Company represents and warrants to each of the Secured Parties that (a) it has full power and authority to execute and deliver this Agreement and that this Agreement has been duly authorized, executed and delivered by it and constitutes a valid and legally binding agreement, enforceable in accordance with its terms, and (b) there is no provision of law, statute, regulation, rule, order, injunction, decree, writ or judgment, no provision of its organizational documents and no provision of any mortgage, Default or Event of Default has occurred and is continuing immediately after giving effect to the execution and delivery of this Agreement.

4. The Company represents and warrants to the New Bank and each of the Secured Parties that no Default or Event of Default has occurred and is continuing immediately after giving effect to the execution and delivery of this Agreement.

5. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which, when taken together, shall constitute but one agreement. This Agreement shall become effective when the Administrative Agent shall have received counterparts of this Agreement that bear the signatures of the New Bank, the Company, the Issuing Bank, and the Administrative Agent. Delivery of an executed counterpart of a signature page of this Agreement by electronic transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

6. Each of the New Bank and the Company, respectively, agrees to furnish to the Administrative Agent and the Issuing Bank such information as the Administrative Agent or the Issuing Bank shall reasonably request in connection with the New Bank or the Company, respectively.

7. Except as expressly supplemented hereby, the Facility Agreement shall remain in full force and effect.

8. **THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK**.

9. If any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in any other Loan Document shall not in any way be affected or impaired.

10. All communications and notices hereunder shall be in writing and given as provided in Section 9.02 of the Facility Agreement. All communications and notices hereunder to the New Bank shall be given to it at the address set forth opposite its signature hereto.

11. Neither this Agreement nor any provision hereof may be waived, amended, or modified except as provided in Section 9.01 of the Facility Agreement.

12. The Company agrees to reimburse the Administrative Agent and the Issuing Bank for their reasonable expenses incurred in connection with this Agreement, including the reasonable fees, disbursements, and other charges of counsel.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the undersigned has duly executed and delivered this New Bank Joinder Agreement as of May 27, 2011.

Address:
Credit Agricole Corporate and Investment Bank
1301 Avenue of the Americas
New York NY 10006

CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK

By: /s/ Laure Duvernay
Name: Laure Duvernay
Title: Vice President

CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK

By: /s/ Thibault Berger
Name: Thibault Berger
Title: Vice President

SUNPOWER CORPORATION

By: /s/ Dennis Arriola
Name: Dennis Arriola
Title: EVP & CFO

DEUTSCHE BANK AG NEW YORK BRANCH, as Administrative Agent and as Issuing Bank

By: /s/ Ross Levitsky
Name: Ross Levitsky
Title: Managing Director

By: /s/Wolfgang Winter
Name: Wolfgang Winter
Title: Managing Director

FIRST SUPPLEMENT TO
LOAN AGREEMENT

Between

CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY

and

SUNPOWER CORPORATION,
as Borrower

Dated as of June 1, 2011

Relating to

$30,000,000
California Enterprise Development Authority
Recovery Zone Facility Revenue Bonds
(SunPower Corporation - Headquarters Project)
Series 2010

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FIRST SUPPLEMENT TO LOAN AGREEMENT

This **FIRST SUPPLEMENT TO LOAN AGREEMENT** (this "First Supplement") dated as of June 1, 2011, supplements and amends that certain **LOAN AGREEMENT** (the "Loan Agreement") entered into as of December 1, 2010, by and between the **CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY** (the "Issuer"), a public entity duly organized and validly existing under the laws of the State of California, and **SUNPOWER CORPORATION**, a Delaware corporation (the "Borrower").

BACKGROUND:

WHEREAS, the Issuer was established for the purpose of financing projects needed to implement economic development within the State of California (the "State") and is authorized to issue taxable and tax-exempt revenue bonds to provide financing for economic development projects pursuant to the provisions of the Joint Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State, as amended, (the "Act"); and

WHEREAS, pursuant to and in accordance with the provisions of the Act, on December 29, 2010, the Issuer issued its California Enterprise Development Authority Recovery Zone Facility Revenue Bonds (SunPower Corporation - Headquarters Project) Series 2010 in the aggregate principal amount of $30,000,000 (the "Bonds") to provide funds to pay a portion of the cost of the Project and to fund a reserve fund and a portion of the costs of issuance of the Bonds; and

WHEREAS, the Bonds were issued pursuant to the terms of an Indenture of Trust, dated as of December 1, 2010 (the "Indenture"), between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"); and

WHEREAS, the Issuer loaned the proceeds of the Bonds to the Borrower, and the Borrower borrowed the proceeds of the Bonds upon the terms and conditions set forth in the Loan Agreement; and

WHEREAS, the Borrower has determined to convert the interest rate on the Bonds to a fixed rate pursuant to Section 2.11 of the Indenture and, in connection with such conversion, has agreed to supplement the covenants made in the Loan Agreement; and

WHEREAS, the Issuer and the Borrower each has duly authorized the execution and delivery of this First Supplement.

AGREEMENT:

Section 1. **Supplement to Loan AgreementSection 1. Supplement to Loan Agreement.** In accordance with the provisions of Sections 5.11 and 8.10 of the Loan Agreement and Sections 2.11(a)(ix) and 9.6(e) of the Indenture, the Issuer and the Borrower hereby agree and consent to the amendment of the Loan Agreement consisting of a new article to be designated as Article IX. Such Article will read in its entirety as follows:

ARTICLE IX

ADDITIONAL COVENANTS OF THE BORROWER

Section 9.1. Definitions. The terms defined in this Section will, for all purposes of this First Supplement and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined. Capitalized terms used but not defined herein will have the meanings set forth in the recitals hereto or in Section 1.1. If a term defined in this Section 9.1 is inconsistent with a definition in Section 1.1, the definition set forth in this Section 9.1 will apply solely for purposes of this Article IX, and the definition set forth in Section 1.1 will apply for all other purposes of this Loan Agreement.

"Acquired Debt" means, with respect to any specified Person:

(a) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and

(b) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control", as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms "controlling", "controlled by" and "under common control with" have correlative meanings.

"Asset Sale" means:

(a) the sale, lease, conveyance or other disposition of any assets or rights by the Borrower or any of its Restricted Subsidiaries; provided that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Borrower and its Restricted Subsidiaries taken as a whole will be governed by Section 9.2(L) or Section 9.2(F) and not by Section 9.2(A); and

(b) the issuance of Equity Interests by any of the Borrower's Restricted Subsidiaries or the sale by the Borrower or any of its Restricted Subsidiaries of Equity Interests in any of the Borrower's Subsidiaries.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than 1.0% of Revenues;

(2) a transfer of assets between or among the Borrower and its Restricted Subsidiaries;

(3) an issuance of Equity Interests by a Restricted Subsidiary of the Borrower to the Borrower or to a Restricted Subsidiary of the Borrower;

(4) the sale, lease or other transfer of products, services or accounts receivable in the ordinary course of business and any sale or other disposition of damaged, worn-out or obsolete assets in the ordinary course of business (including the abandonment or other disposition of intellectual property that is, in the reasonable judgment of the Borrower, no longer economically practicable to maintain or useful in the conduct of the business of the Borrower and its Restricted Subsidiaries taken as whole);

(5) licenses and sublicenses by the Borrower or any of its Restricted Subsidiaries of software or intellectual property in the ordinary course of business;

(6) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(7) the granting of Permitted Liens;

(8) the sale or other disposition of cash or Cash Equivalents;

(9) any exchange of like property pursuant to Section 1031 of the Internal Revenue Code for use in a Permitted Business;

(10) Restricted Payment that does not violate Section 9.2(C) or a Permitted Investment;

(11) the sale, lease or other transfer of any project assets of the Borrower or any of its Restricted Subsidiaries;

(12) any sale by the Borrower or a Restricted Subsidiary of all or a portion of the equity of any of the Borrower's Subsidiaries to a bona fide third-party purchaser in an arm's-length transaction; and

(13) any sale in connection with a specified transaction.

“Asset Sale Net Proceeds” means the aggregate cash proceeds and Cash Equivalents received by the Borrower or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash or Cash Equivalents received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, and any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with GAAP.

“Attributable Debt” in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; provided, however, that if such sale and leaseback transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of “Capital Lease Obligation.”

“Beneficial Owner” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “Beneficially Owns” and “Beneficially Owned” have a corresponding meaning,

“Board of Directors” means:

(a) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(b) with respect to a partnership, the Board of Directors of the general partner of the partnership;

(c) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(d) with respect to any other Person, the board or committee of such Person serving a similar function.

“Capital Lease Obligation” means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

“Capital Stock” means:

(a) in the case of a corporation, corporate stock;

(b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(c) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

“Cash Equivalents” means:

(a) any national currency;

(b) securities issued or directly and fully guaranteed or insured by any sovereign government, or any agency or instrumentality of any such government (provided that the full faith and credit of any such government is pledged in support of those securities) having maturities of not more than one year from the date of acquisition;

(c) certificates of deposit, time deposits and similar instruments of any sovereign nation with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case, with any domestic commercial bank having capital and surplus in excess of $500.0 million and a Thomson Bank Watch Rating of “B” or better or a comparable rating by a comparable rating agency in the relevant jurisdiction if such Thomson Bank Watch Rating is not available;

(d) repurchase obligations with a term of not more than thirty days for underlying securities of the types described in clauses (b) and (c) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(e) commercial paper having an investment grade rating from Moody's or S&P and, in each case, maturing within one year after the date of acquisition; and

(f) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (a) through (e) of this definition, or which (X) comply with the criteria set forth in SEC Rule 2a-7 under the Investment Company Act of 1940, (Y) are rated AAAm by S&P and Aaa by Moody's, and (Z) have portfolio assets of at least $1,000,000,000;

(g) in the case of a Foreign Subsidiary, (a) currency of the countries in which such Foreign Subsidiary conducts business, and (b) investments of the type and maturity described in clause (c) above of foreign obligors, which investments or obligors have the rating described in such clause; and

(h) investments in certificates of deposit, banker's acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than $500,000,000.

“Change of Control” means the occurrence of any of the following:

(a) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Borrower and its Subsidiaries taken as a whole to any Person (including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act)) other than one or more of its Restricted Subsidiaries;

(b) the formal adoption of a plan relating to the liquidation or dissolution of the Borrower;

(c) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any "person" (as defined above), becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Borrower, measured by voting power rather than number of shares; or

(d) the first day on which a majority of the members of the Board of Directors of the Borrower are not Continuing Directors;

provided, however, that "Change of Control" shall not include the occurrence of any of the events described above in clauses (a) through (d) as a result of any transaction, contract or agreement with any member of the Total Group.

"Change of Control Offer" has the meaning assigned to that term in Section 9.2(L).

"Consolidated EBITDA" means, for any period, the total of the following calculated for the Borrower and its Subsidiaries without duplication on a consolidated basis in accordance with GAAP consistently applied for such period: (a) consolidated net income from operations; plus (b) any deduction for (or less any gain from) income or franchise taxes included in determining such consolidated net income; plus (c) interest expense deducted in determining such consolidated net income; plus (d) amortization and depreciation expense deducted in determining such consolidated net income; plus (e) any non-recurring and non-cash charges resulting from application of GAAP that requires a charge against earnings for the impairment of goodwill to the extent deducted in determining such consolidated net income and not added back pursuant to another clause of this definition; plus (f) any non-cash expenses that arose in connection with the grant of stock options to officers, directors and employees of the the Borrower and its Subsidiaries and were deducted in determining such consolidated net income; plus (g) non-cash restructuring charges; plus (h) non-cash charges related to mark-to-market valuation adjustments as may be required by GAAP from time to time; plus (i) non-cash charges arising from changes in GAAP occurring after the date hereof; less (j) any extraordinary gains and non-cash items of income. As used in this definition, "non-cash charge" shall mean a charge in respect of which no cash is paid during the applicable period (whether or not cash is paid with respect to such charge in a subsequent period) and "non-cash item of income" shall mean an item of income in respect of which no cash is received during the applicable period (whether or not cash is received with respect to such item of income in a subsequent period).

"Consolidated Net Income" means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiary of such Person), determined in accordance with GAAP and without any reduction in respect of preferred stock dividends; provided that:

(a) all extraordinary gains (and losses) and all gains (and losses) realized in connection with any Asset Sale or the disposition of securities or the early extinguishment of Indebtedness, together with any related provision for taxes on any such gain, will be excluded;

(b) the net income (but not loss) of any Person that is not a Restricted Subsidiary of the specified Person or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person;

(c) for purposes of clauses (3)(a) through (3)(e) of the first paragraph of Section 9.2(C), the net income (but not loss) of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that net income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders, except to the extent that a dividend or similar distribution is actually and lawfully made to such Person or to another Restricted Subsidiary of such Person that is not subject to any such restriction on dividends or similar distributions; provided that restrictions in any Credit Facilities that were permitted by the terms of this Loan Agreement to be incurred will be disregarded for purposes of this clause (c);

(d) the cumulative effect of a change in accounting principles will be excluded; and

(e) non-cash gains and losses attributable to movement in the mark-to-market valuation of Hedging Obligations pursuant to Financial Accounting Standards Board Statement No. 133 will be excluded.

“Continuing” means, with respect to any default, Default or Event of Default, that such default, Default or Event of Default has not been cured or waived. In the case of an Event of Default under Section 6.1(f) hereof, such Event of Default shall no longer be continuing upon the cure or waiver of the default of the Indebtedness described therein that causes such Event of Default to occur or the rescission of the declaration of acceleration of such Indebtedness.

“Continuing Directors” means, as of any date of determination, any member of the Board of Directors of the Borrower who:

(a) was a member of such Board of Directors on the Conversion Date; or

(b) was nominated for election or elected or appointed to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

“Conversion Date” means June 1, 2011.

“Credit Facilities” means one or more indentures, purchase agreements, debt facilities or commercial paper facilities providing for the issuance of debt securities, revolving credit loans,

term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

“Default” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“Designated Non-cash Consideration” means the Fair Market Value of non-cash consideration received by the Borrower or a Restricted Subsidiary in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an officers' certificate, setting forth the basis of such valuation, executed by the Borrower's chief financial officer, less the amount of cash or Cash Equivalents received in a subsequent sale of or collection on such Designated Non-cash Consideration.

“Director Indemnification Agreements” means indemnification agreements between the Borrower and the members of the Borrower's Board of Directors.

“Disqualified Stock” means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Bonds mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Borrower to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Borrower may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Section 9.2(C). The amount of Disqualified Stock deemed to be outstanding at any time for purposes of this Loan Agreement will be the maximum amount that the Borrower and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

“Equity Interests” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“Existing Indebtedness” means all Indebtedness, including all maximum commitments for Indebtedness, of the Borrower and its Restricted Subsidiaries in existence on the Conversion Date, until such amounts are repaid; provided, however, amounts repaid under a revolving credit facility shall not be deemed repaid for purposes of this definition.

“External Revenue” means revenue of a Subsidiary that is not eliminated during consolidation with the Borrower in accordance with GAAP.

“Fair Market Value” means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, determined in good faith as set forth in a certificate of the Chief Executive Officer or Chief Financial Officer of the Borrower (unless otherwise provided herein).

"Fixed Charge Coverage Ratio" means with respect to any specified Person for any period, the ratio of the Consolidated EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(a) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given pro forma effect as if they had occurred on the first day of the four-quarter reference period, including all Pro Forma Cost Savings, as if the same had been realized at the beginning of such four-quarter period;

(b) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded;

(c) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(d) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(e) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period;

(f) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Fledging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months); and

(g) in the case of any four-quarter reference period that includes any period of time prior to the consummation of the Reorganization, pro forma effect shall be given to the Reorganization as if the same had occurred at the beginning of such four-quarter period.

"Fixed Charges" means, with respect to any specified Person for any period, the sum, without duplication, of:

(a) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates; plus

(b) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; plus

(c) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such guarantee or Lien is called upon; plus

(d) the product of (1) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of the Borrower (other than Disqualified Stock) or to the Borrower or a Restricted Subsidiary of the Borrower, times (2) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with GAAP.

"Foreign Subsidiary" means any Restricted Subsidiary that is not formed under the laws of the United States or any state of the United States or the District of Columbia.

"GAAP" means United States generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession in the United States, which are in effect from time to time.

"Government Securities" means direct obligations of, or obligations guaranteed by, the United States of America (including any agency or instrumentality thereof) for the payment of which obligations or guarantees the full faith and credit of the United States of America is pledged and which are not callable or redeemable at the issuer's option.

“Governmental Authority” means the government of the United States of America, any other nation or any political subdivision of any thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“Hedging Obligations” means, with respect to any specified Person, the obligations of such Person under:

(a) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(b) other agreements or arrangements designed to manage interest rates or interest rate risk;

(c) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices; and

(d) other agreements or arrangements entered in connection with the purchase and sale of SRECs.

“Immaterial Subsidiary” means, as of any date, any Restricted Subsidiary whose total assets, as of that date, are less than $1,000,000 and whose total revenues for the most recent twelve-month period do not exceed $1,000,000; provided that a Restricted Subsidiary will not be considered to be an Immaterial Subsidiary if it, directly or indirectly, guarantees any Indebtedness of the Borrower.

“Indebtedness” means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

(a) in respect of borrowed money;

(b) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(c) in respect of banker's acceptances;

(d) representing Capital Lease Obligations or Attributable Debt in respect of sale and leaseback transactions;

(e) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed; or

(f) representing any Hedging Obligations, if and to the extent any of the preceding items (other than letters of credit, Attributable Debt and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term “Indebtedness” includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other

Person. Indebtedness shall be calculated without giving effect to the effects of Statement of Financial Accounting Standards No. 133 and related interpretations to the extent such effects would otherwise increase or decrease an amount of Indebtedness for any purpose hereunder as a result of accounting for any embedded derivatives created by the terms of such Indebtedness.

"Investments" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If the Borrower or any Restricted Subsidiary of the Borrower sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of the Borrower such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Borrower, the Borrower will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Borrower's Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of Section 9.2(C). The acquisition by the Borrower or any Restricted Subsidiary of the Borrower of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Borrower or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of Section 9.2(C). Except as otherwise provided in the indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"Non-Recourse Debt" means Indebtedness:

(a) as to which neither the Borrower nor any of its Restricted Subsidiaries (1) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (2) is directly or indirectly liable as a guarantor or otherwise; and

(b) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Borrower or any of its Restricted Subsidiaries (other than the Equity Interests of an Unrestricted Subsidiary).

"Obligations" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Pari Passu Indebtedness" means any Indebtedness of the Issuer other than unsecured Indebtedness that:

(a) is contractually subordinated to the prior payment in full in cash of the Bonds, the Note, any guarantees and all related Obligations under the Indenture and this Loan Agreement (including interest accruing after the commencement of a bankruptcy or insolvency proceeding, whether or not such interest constitutes an allowable claim) on terms customary for "high yield" securities as of the date of incurrence of such Indebtedness; and

(b) has a longer Weighted Average Life to Maturity than the remaining Weighted Average Life to Maturity of the Bonds as of the date of such incurrence.

"Permitted Business" means the businesses of the Borrower, its direct and indirect Subsidiaries, and their respective subsidiaries as of or as contemplated on the Conversion Date and any other business ancillary, supplementary or complementary to the solar power business, as determined in good faith by the Borrower's Board of Directors.

"Permitted Investments" means:

(a) any Investment in the Borrower, a Subsidiary of the Borrower, or any special-purpose entity created or sponsored by the Borrower or a Subsidiary of the Borrower;

(b) any Investment in Cash Equivalents;

(c) any Investment by the Borrower or any Restricted Subsidiary of the Borrower in a Person that is not a Restricted Subsidiary, if as a result of such Investment:

(1) such Person becomes a Restricted Subsidiary of the Borrower; or

(2) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Borrower or a Restricted Subsidiary of the Borrower;

(d) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with Section 9.2(K);

(e) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Borrower;

(f) any Investments received in compromise or resolution of (1) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Borrower or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (2) litigation, arbitration or other disputes;

(g) Investments represented by Hedging Obligations;

(h) loans or advances to employees made in the ordinary course of business of the Borrower or any Restricted Subsidiary of the Borrower in an aggregate principal

amount not to exceed $5.0 million of fixed assets as measured at the last quarterly reporting period at any one time outstanding;

(i) repurchases of the Bonds;

(j) (a) advances to customers in the ordinary course of business that are recorded as accounts receivable on the consolidated balance sheet of such Person and (b) payroll, travel and similar advances to cover matters that are expected at the time of the advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(k) any guarantee of Indebtedness permitted to be incurred by Section 9.2(D);

(l) any Investment existing on, or made pursuant to binding commitments existing on, the Conversion Date and any Investment consisting of an extension, modification, refinancing, or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Conversion Date; provided that the amount of any such Investment may be increased (1) as permitted by the terms of such Investment as in existence on the Conversion Date or (2) as otherwise permitted under the indenture;

(m) Investments in any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business by the Borrower or any Restricted Subsidiary;

(n) Investments acquired after the Conversion Date as a result of the acquisition by the Borrower or any Restricted Subsidiary of the Borrower of another Person, including by way of a merger, amalgamation or consolidation with or into the Borrower or any of its Restricted Subsidiaries in a transaction that is not prohibited by Section 9.2(F) after the Conversion Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(o) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (15) that are at the time outstanding not to exceed the greater of (a) $25.0 million or (b) 10.0% of Total Assets as of the date of such Investment;

(p) Specified Transactions; and

(q) any acquisition of SRECs.

“Permitted Liens” means:

(a) Liens on assets of the Borrower or any of its Restricted Subsidiaries securing Indebtedness and other Obligations under Credit Facilities that was permitted to be incurred pursuant to clauses (1) through (29) of the definition of Permitted Debt in

Section 9.2(D) and/or securing Hedging Obligations and/or Obligations with regard to Treasury Management Arrangements;

(b) Liens in favor of the Borrower or any Restricted Subsidiary;

(c) Liens on property of a Person existing at the time such Person becomes a Restricted Subsidiary of the Borrower or is merged with or into or consolidated with the Borrower or any Restricted Subsidiary of the Borrower; provided that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary of the Borrower or such merger or consolidation and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary of the Borrower or is merged with or into or consolidated with the Borrower or any Restricted Subsidiary of the Borrower;

(d) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Borrower or any Restricted Subsidiary of the Borrower; provided that such Liens were in existence prior to such acquisition and not incurred in contemplation of, such acquisition;

(e) Liens or deposits made in the ordinary course of business to secure the performance of tenders, bids, leases, contracts (except those related to borrowed money), statutory obligations, insurance, surety or appeal bonds, workers compensation obligations, unemployment insurance obligations, other social security obligations, other statutory obligations, performance bonds or other obligations of a like nature (including Liens to secure letters of credit issued to assure payment of such obligations) or arising as a result of progress payments under government contracts;

(f) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (4) of the second paragraph of Section 9.2(D) covering only the assets acquired with or financed by such Indebtedness;

(g) Liens existing on the Conversion Date or permitted by any agreements in effect on the Conversion Date;

(h) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; provided that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;

(i) Liens imposed by law, such as carriers', warehousemen's, landlord's, mechanics', materialmen's, repairmen's, suppliers' or similar Liens, in each case, incurred in the ordinary course of business,

(j) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(k) Liens created for the benefit of (or to secure) the Bonds or the Note;

(l) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the indenture; provided, however, that:

(1) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

(2) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(m) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(n) filing of Uniform Commercial Code financing statements as a precautionary measure in connection with operating leases;

(o) bankers' Liens, rights of setoff, Liens arising out of judgments or awards not constituting an Event of Default and notices of lis pendens and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(p) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(q) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(r) grants of software and other technology licenses in the ordinary course of business;

(s) leases or subleases granted in the ordinary course of business to third Persons not materially interfering with the business of the Borrower and its Restricted Subsidiaries taken as a whole;

(t) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business, including but not limited to, pursuant to agreements to subordinate any interest of the Borrower or a Restricted Subsidiary in any accounts receivable or other proceeds arising from inventory or other assets so consigned;

(u) Liens in favor of customs and revenue authorities to secure payment of customs duties in connection with the importation of goods, and other similar Liens arising in the ordinary course of business;

(v) Liens in connection with escrow deposits made in connection with any acquisition of assets;

(w) Liens on equity interests in joint ventures held by the Borrower or any of its Subsidiaries securing obligations of such joint ventures;

(x) Liens in favor of customers or suppliers of the Borrower or any of its Subsidiaries on equipment, supplies and inventory purchased with the proceeds of advances made by such customers or suppliers under, and securing obligations in connection with, supply agreements, and accounts receivable with respect thereto;

(y) Liens that arise by operation of law for amounts not yet due;

(z) existing and future Liens related to or arising from the sale, transfer, or other disposition of rights to solar power rebates in the ordinary course of business as conducted from time to time;

(aa) Liens in connection with the sale-leaseback arrangement, pursuant to the Master Lease Agreement dated as of June 26, 2009 by and among WF-SPWR I Solar Statutory Trust, Whippletree Solar, LLC, and the other Persons party thereto of certain solar power production projects and the related escrow of funds supporting the obligations of certain Subsidiaries thereunder;

(bb) Liens in connection with an escrow by the Borrower in the amount of US $2,400,000 in respect of the performance obligations of Greater Sandhill I, LLC (“GS”), an unaffiliated customer of the Borrower, under a Solar Energy Purchase Agreement between GS and Public Service Company of Colorado and related documentation; and

(cc) Liens incurred in the ordinary course of business of the Borrower or any Restricted Subsidiary of the Borrower with respect to obligations that do not exceed 5.0% of Revenues at any one time outstanding.

“Permitted Refinancing Indebtedness” means any Indebtedness of the Borrower or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge other Indebtedness of the Borrower or any of its Restricted Subsidiaries (other than intercompany Indebtedness); provided that:

(a) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(b) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity that is (1) equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness

being renewed, refunded, refinanced, replaced, defeased or discharged or (2) more than 90 days after the final maturity date of the Bonds;

(c) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is subordinated in right of payment to the Bonds and the Note, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Bonds and the Note on terms at least as favorable to the holders of Bonds and the Note as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; and

(d) such Indebtedness is incurred either by the Borrower or by the Restricted Subsidiary of the Borrower that was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged and is guaranteed only by Persons who were obligors on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged.

“Permitted Tax Payments” means, for so long as the Borrower is treated as a partnership for U.S. federal income tax purposes, payments by the Borrower to direct owners of the Borrower's equity interests in respect of tax liabilities of the Borrower's investors arising from direct or indirect ownership of the Borrower's equity interests under Section 951 of the Code. Permitted Tax Payments shall be calculated by reference to the amount of the Borrower's and its Subsidiaries' income determined to be an amount required to be included in income under section 951 of the Code times .35. A nationally recognized accounting firm chosen by the Borrower shall determine the amount of Permitted Tax Payments.

“Person” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

“Pro Forma Cost Savings” means, with respect to any four-quarter period, the reduction in net costs and expenses that:

(a) were directly attributable to an acquisition, Investment, disposition, merger, consolidation or discontinued operation or other specified action that occurred during the four-quarter period or after the end of the four-quarter period and on or prior to the Calculation Date and that would properly be reflected in a pro forma income statement prepared in accordance with Regulation S-X under the Securities Act, as then in effect;

(b) were actually implemented prior to the Calculation Date in connection with or as a result of an acquisition, Investment, disposition, merger, consolidation or discontinued operation or other specified action and that are supportable and quantifiable by the underlying accounting records; or

(c) relate to an acquisition, Investment, disposition, merger, consolidation or discontinued operation or other specified action and that the Borrower reasonably determines are probable based upon specifically identifiable actions to be taken within six months of the date of the closing of the acquisition, Investment, disposition, merger, consolidation or discontinued operation or specified action; provided that in each case contemplated by clause (c), to the extent such reductions in cost and expense are described in an officers' certificate signed by the chief financial officer of the Borrower

and delivered to the trustee, which officers' certificate outlines the specific actions taken or to be taken, the net reductions in cost and expenses achieved or to be achieved from each such action and states that the Borrower's chief financial officers has determined that such cost and expense savings are probable.

“Qualifying Equity Interests” means Equity Interests of the Borrower other than Disqualified Stock.

“Qualifying Equity Offering” means a public sale either (1) of Equity Interests of the Borrower by the Borrower (other than Disqualified Stock and other than to a Subsidiary of the Borrower) or (2) of Equity Interests of a direct or indirect Subsidiary entity of the Borrower (other than to the Borrower or a Subsidiary of the Borrower) to the extent that the net proceeds therefrom are contributed to the common equity capital of the Borrower.

“Related Party” means (a) any controlling person, limited partner, or majority owned Subsidiary; or (b) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, stockholders, partners, members, owners or Persons beneficially holding a majority (and controlling) interest of which consist of any such other Persons referred to in clause (a).

“Restricted Investment” means an Investment other than a Permitted Investment.

“Restricted Subsidiary” means any Subsidiary of the Borrower with External Revenue that is greater than 1.0% of Revenues, excluding any joint venture or special purpose entity of the Borrower.

“Revenues” means, as of the date of measurement, the last four quarters of consolidated revenues of the Borrower.

“Securities Act” means the Securities Act of 1933, as amended.

“Significant Subsidiary” means any Restricted Subsidiary that would be a “significant subsidiary” as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Conversion Date.

“Special Interest” has the meaning assigned to that term pursuant to the registration rights agreement.

“Specified Transaction” means any of the following:

(a) the acquisition by the Borrower or any Subsidiary of all or substantially all of the assets of another Person or division of such Person;

(b) the merger or consolidation of the Borrower or any Subsidiary with or into any other entity, provided that the surviving entity shall be a the Borrower or any Subsidiary, and provided further that, in any transaction involving the Borrower, the Borrower shall be the surviving Person;

(c) the acquisition by the Borrower or any Subsidiary of a controlling or majority interest in any other Person; and

(d) investments in other Persons, including joint ventures, by the Borrower or any Subsidiary.

“SRECs” shall mean Solar Renewable Energy Certificates or other environmental derivatives that refer to the environmental attributes of solar or other renewable energy, or alternatively carbon emissions or other pollutants. Similar derivatives include but are not limited to Alternative Energy Certificates and Renewable Energy Certificates.

“Stated Maturity” means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Conversion Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

“Subsidiary” means, with respect to any specified Person:

(a) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(b) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

“Total Assets” means, as of any date, the total consolidated assets of the Borrower and its Subsidiaries as of the most recent date for which internal financial statements are available as of that date, calculated in accordance with GAAP.

“Total Group” means Total Gas & Power USA, SAS, Total S.A. or any of their respective affiliates.

“Treasury Management Arrangement” means any agreement or other arrangement governing the provision of treasury or cash management services, including deposit accounts, overdraft, credit or debit card, funds transfer, automated clearinghouse, zero balance accounts, returned check concentration, controlled disbursement, lockbox, account reconciliation and reporting and trade finance services and other cash management services.

“Unrestricted Subsidiary” means any Subsidiary of the Borrower that is not a Restricted Subsidiary, including, but not limited to, any special purpose entity or joint venture of the Borrower.

"Voting Stock" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(a) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(b) the then outstanding principal amount of such Indebtedness.

Section 9.2. Fixed Rate Covenants of the Borrower. Upon conversion of the Bonds to a fixed rate on the Conversion Date, in accordance with Section 2.11 of the Indenture, the Borrower covenants as follows:

(A) Asset Sales**(A) Asset Sales**. The Borrower will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless the Borrower (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value (measured as of the date of the definitive agreement with respect to such Asset Sale) of the assets or Equity Interests issued or sold or otherwise disposed of; and at least 75% of the consideration received in the Asset Sale by the Borrower or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(1) any liabilities of the Borrower or such Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Note or the Bonds) that are assumed by the transferee of any such assets pursuant to a customary novation or indemnity agreement that releases the Borrower or such Restricted Subsidiary from or indemnifies against further liability;

(2) any securities, notes or other obligations received by the Borrower or any such Restricted Subsidiary from such transferee that are converted by the Borrower or such Restricted Subsidiary into cash or Cash Equivalents within 60 days of consummation of such Asset Sale, to the extent of the cash and Cash Equivalents received in that conversion;

(3) any Designated Non-cash Consideration received by the Borrower or such Restricted Subsidiary in such Asset Sale having an aggregate Fair Market Value, taken together with all other Designated Non-cash Consideration received pursuant to this clause (3) that is at that time outstanding, not to exceed 5.0% of Total Assets at the time of the receipt of such Designated Non-cash Consideration, with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value; and

(4) any stock or assets of the kind referred to in clauses (2) or (4) of the next paragraph of this covenant.

Within 365 days after the receipt of any Asset Sale Net Proceeds, the Borrower (or the applicable Restricted Subsidiary, as the case may be) must apply such Asset Sale Net Proceeds:

(1) to repay (a) Obligations under a Credit Facility that are secured by a Lien permitted by the indenture; or (b) other Indebtedness (other than Subordinated Indebtedness) of the Borrower or any Restricted Subsidiary that is secured by a Lien permitted by the indenture;

(2) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary of the Borrower;

(3) to make a capital expenditure;

(4) to acquire other assets that are not classified as current assets under GAAP and that are used or useful in a Permitted Business;

(5) to make any other investments in the normal course of business, including working capital; or

(6) any combination of (1) - (6) of this paragraph.

In the case of clauses (2) and (4), the Borrower will be deemed to have complied with its obligations above if it enters into a binding commitment to acquire such assets or Capital Stock within the required time frame above, provided that such binding commitment shall be subject only to customary conditions and such acquisition shall be consummated within six months from the date of signing such binding commitment.

Pending the final application of any Asset Sale Net Proceeds, the Borrower (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Asset Sale Net Proceeds in any manner that is not prohibited by the Indenture or this Loan Agreement.

(B) Changes in Covenants When Bonds Rated Investment Grade. If on any date following the Conversion Date (1) the Bonds are rated Baa3 or better by Moody's and BBB- or better by S&P (or, if either such entity is unable to rate the Bonds for reasons outside of the control of the Borrower, the equivalent investment grade credit rating from any other “nationally recognized statistical rating organization” within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by the Borrower as a replacement agency); and (2) no Default or Event of Default shall have occurred and be continuing, then, beginning on that day and subject to the provisions of the following paragraph, the covenants in subclauses (C), (D), (E), (G), (I), (F)(4) and (J)(1)(a) of Section 9.2 will be suspended.

Notwithstanding the foregoing, if the rating assigned by either such rating agency should subsequently decline to below Baa3 or BBB-, respectively, the foregoing covenants will be reinstated as of and from the date of such rating decline. Calculations under the reinstated subclause (C) covenant will be made as if such covenant had been in effect since the date of the Indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

(C) Restricted Payments. The Borrower will not, and will not permit any of its Restricted Subsidiaries to:

(1) declare or pay any dividend or make any other payment or distribution on account of the Borrower's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Borrower or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Borrower's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Borrower and other than dividends or distributions payable to the Borrower or a Restricted Subsidiary of the Borrower);

(2) purchase, redeem or otherwise acquire or retire for value or in accordance with the terms therein (including, without limitation, in connection with any merger or consolidation involving the Borrower) any Equity Interests of the Borrower or any Restricted Subsidiary of the Borrower;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Borrower that is contractually subordinated to the Bonds, or the Note (excluding any intercompany Indebtedness between or among the Borrower and any of its Restricted Subsidiaries) (collectively, “Subordinated Debt”), except a payment of interest or principal at the Stated Maturity thereof; or

(4) make any Restricted Investment

(all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as “Restricted Payments”), unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(2) the Borrower would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of Section 9.2(D); and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Borrower and its Restricted Subsidiaries since the Conversion Date (excluding Restricted Payments permitted by clauses (1) through (11) of the next succeeding paragraph), is less than the sum, without duplication, of:

(a) 50% of the Consolidated Net Income of the Borrower for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after the Conversion Date to the end of the Borrower's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); plus

(b) 100% of the aggregate cash proceeds, including cash and Cash Equivalents, and the Fair Market Value of assets (as to which an opinion or appraisal issued by an accounting, appraisal or investment bank firm of national standing shall be required if the Fair Market Value exceeds $15.0 million), received by the Borrower since the Conversion Date as a contribution to its common equity capital or from the issue or sale of Qualifying Equity Interests of the Borrower or from the issue or sale of convertible or exchangeable Disqualified Stock of the Borrower or convertible or exchangeable debt securities of the Borrower, in each case that have been converted into or exchanged for Qualifying Equity Interests of the Borrower (other than Qualifying Equity Interests and convertible or exchangeable Disqualified Stock or debt securities (a) sold to a Subsidiary of the Borrower or (b) sold in a secondary equity offering; plus

(c) to the extent that any Restricted Investment that was made after the Conversion Date is (i) sold for cash or otherwise cancelled, liquidated or repaid for cash, or (ii) made in an entity that subsequently becomes a Restricted Subsidiary of the Borrower, the initial amount of such Restricted Investment (or, if less, the amount of cash received upon repayment or sale); plus

(d) to the extent that any Unrestricted Subsidiary of the Borrower designated as such after the Conversion Date is redesignated as a Restricted Subsidiary after the Conversion Date, the lesser of (i) the Fair Market Value of the Borrower's Restricted Investment in such Subsidiary as of the date of such redesignation or (ii) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the Conversion Date; plus

(e) 100% of any dividends received in cash by the Borrower or a Restricted Subsidiary after the Conversion Date from an Unrestricted Subsidiary, to the extent that such dividends were not otherwise included in the Consolidated Net Income of the Borrower for such period;

provided, however, that the aggregate amount of Restricted Payments of the type described in clauses (a) and (b) of the definition of “Restricted Payments” pursuant to this clause (3) shall not exceed 50% of the aggregate amount of Restricted Payments otherwise permitted by this clause (3).

The preceding provisions will not prohibit:

(1) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Borrower) of, Equity Interests of the Borrower or from the substantially concurrent contribution of common equity capital to the Borrower; provided that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will not be considered to be net proceeds of Qualifying Equity Interests for purposes of clause (3)(b) of the preceding paragraph;

(2) the payment of any dividend otherwise permitted herein (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of its Equity Interests on a pro rata basis;

(3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Borrower that is contractually subordinated to the Bonds, the Note or to any guarantee with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;

(4) so long as no Default or Event of Default has occurred and is continuing, the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Borrower or any Restricted Subsidiary of the Borrower held by any current or former officer, director or employee of the Borrower or any of its Restricted Subsidiaries pursuant to any employment agreement, equity subscription agreement, stock option agreement, stockholders' agreement or similar agreement; provided that such amount may be increased by an amount not to exceed the cash proceeds from the sale of Equity Interests of the Borrower to current or former members of management, directors, managers or consultants of the Borrower or any of its Subsidiaries that occurs after the Conversion Date, to the extent the cash proceeds from the sale of such Equity Interests have not otherwise been applied to the making of Restricted Payments by virtue of clause (c)(2) of the preceding paragraph;

(5) the repurchase of Equity Interests deemed to occur upon the (i) exercise of stock options or (ii) the withholding of stock appreciation rights, restricted stock or restricted stock units released from transfer restrictions that are settled in cash or shares, to the extent such Equity Interests represent a portion of the exercise price of those stock options, and repurchases of Equity Interests deemed to occur upon the withholding of a portion of the Equity Interests granted or awarded to a current or former officer, director, employee or consultant to pay for the taxes payable by such Person upon such grant or award (or upon vesting thereof);

(6) so long as no Default or Event of Default has occurred and is continuing, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Borrower or any preferred stock of any Restricted Subsidiary of the Borrower issued on or after the Conversion Date in accordance with the Fixed Charge Coverage Ratio test in Section 9.2(D);

(7) payments of cash, dividends, distributions, advances or other Restricted Payments by the Borrower or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (i) the exercise of options or warrants, (ii) the conversion or exchange of Capital Stock of any such Person or (iii) the grant of restricted stock units;

(8) Permitted Tax Payments;

(9) upon the occurrence of a Change of Control and within 60 days after the completion of the offer to repurchase the Bonds pursuant to Section 9.2(L), any purchase or redemption of Subordinated Debt required pursuant to the terms thereof as a result of such Change of Control; provided, however, that at the time of such purchase or redemption no Event of Default shall have occurred and be continuing (or would result therefrom);

(10) any purchase or redemption of Subordinated Debt using any remaining excess proceeds of an Asset Sale; provided, however, that at the time of such purchase

or redemption no Event of Default shall have occurred and be continuing (or would result therefrom);

(11) the application of the proceeds of the Bonds as described in the Indenture and Loan Agreement; and

(12) Restricted Payments in an aggregate amount not to exceed 50% of Consolidated Net Income.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Borrower or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.

(D) Incurrence of Indebtedness and Issuance of Preferred Stock. The Borrower will not, and will not permit any of its Restricted Subsidiaries to, directly create, incur, issue, assume, guarantee or otherwise become directly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt), and the Borrower will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; provided, however, that the Borrower may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and Restricted Subsidiaries (other than the Borrower) may incur Indebtedness (including Acquired Debt) or issue preferred stock, if the Fixed Charge Coverage Ratio for the Borrower's most recently ended four full fiscal quarters for which consolidated financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such preferred stock is issued, as the case may be, would have been at least 2.0 to 1.0, in each case determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the preferred stock had been issued, as the case may be, at the beginning of such four-quarter period.

Notwithstanding the forgoing, the first paragraph of this subsection (D) will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "Permitted Debt"):

(1) the incurrence by the Borrower and any of its Restricted Subsidiaries of additional Indebtedness and letters of credit under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1)(with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Borrower and its Restricted Subsidiaries thereunder) not to exceed the sum of (i) 85.0% of the total book value of accounts receivable, (ii) 60.0% of the total book value of inventory, (iii) 60.0% of the total book value of project assets and (iv) 85.0% of the total book value of cost and estimated earnings in excess of billing, in each case as reflected on the Borrower's and its Restricted Subsidiaries' most recent consolidated financial statements prepared in accordance with GAAP;

(2) the incurrence by the Borrower and its Restricted Subsidiaries of the Existing Indebtedness;

(3) the incurrence by the Borrower of Indebtedness represented by the Note issued hereunder;

(4) the incurrence by the Borrower or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price, taxes or cost of design, construction, installation or improvement of property, plant or equipment (including software) used in the business of the Borrower or any of its Restricted Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed 5% of Total Assets as of any date of incurrence; provided, however, that this clause (4) is in no way intended to restrict Indebtedness permitted to be incurred under clause (17);

(5) the incurrence by the Borrower or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the indenture to be incurred under the first paragraph of this covenant or clauses (2), (3), (4), (5) or (16) of this Section 9.2(D);

(6) the incurrence by the Borrower or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Borrower and any of its Restricted Subsidiaries; provided, however, that:

(a) if the Borrower or any Restricted Subsidiary is the obligor on such Indebtedness and the payee is not the Borrower or a Restricted Subsidiary, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Note; and

(b) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Borrower or a Restricted Subsidiary or (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Borrower or a Restricted Subsidiary of the Borrower will be deemed, if the Borrower or a Restricted Subsidiary remains an obligor or a guarantor on such Indebtedness, in each case, to constitute an incurrence of such Indebtedness by the Borrower or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the issuance by any of the Borrower's Restricted Subsidiaries to the Borrower or to any of its Restricted Subsidiaries of shares of preferred stock; provided, however, that:

(a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Borrower or a Restricted Subsidiary of the Borrower; and

(b) any sale or other transfer of any such preferred stock to a Person that is not either the Borrower or a Restricted Subsidiary of the Borrower, will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (7);

(8) the incurrence by the Borrower or any of its Restricted Subsidiaries of Hedging Obligations in the ordinary course of business;

(9) the guarantee of Indebtedness of the Borrower or a Restricted Subsidiary of the Borrower to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; provided that if the Indebtedness being guaranteed is subordinated to or pari passu with the Note, then the guarantee must be subordinated or pari passu, as applicable, to the same extent as the Indebtedness guaranteed;

(10) the incurrence by the Borrower or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, health, disability or other employee benefits or property, casualty or liability insurance, self-insurance obligations and bankers' acceptances in the ordinary course of business;

(11) the incurrence by the Borrower or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five business days;

(12) the incurrence of Indebtedness by the Borrower or any of its Restricted Subsidiaries in the form of performance bonds, completion guarantees and surety or appeal bonds and similar obligations entered into by the Borrower or any of its Restricted Subsidiaries in the ordinary course of their business;

(13) the incurrence of Indebtedness of the Borrower or any Restricted Subsidiary issued to any of its directors, employees, officers or consultants or to a Restricted Subsidiary in connection with the redemption or purchase of Capital Stock that is not secured by any of the assets of the Borrower or the Restricted Subsidiaries and does not require cash payments prior to the Stated Maturity of the Bonds, in an aggregate principal amount which, when added with the amount of Indebtedness incurred under this clause (13) and then outstanding, does not exceed 5% of Revenues;

(14) the incurrence of Indebtedness by the Borrower or any of the Restricted Subsidiaries arising from agreements of the Borrower or any of the Restricted Subsidiaries providing for adjustment of purchase price or other similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business, assets or a Restricted Subsidiary of the Borrower;

(15) the incurrence of Indebtedness by the Borrower or any of the Restricted Subsidiaries constituting reimbursement obligations under letters of credit issued in the ordinary course of business, including, without limitation, letters of credit to procure raw materials or relating to workers' compensation claims or self-insurance, or other Indebtedness relating to reimbursement-type obligations regarding workers' compensation claims;

(16) the incurrence by the Borrower or any of its Restricted Subsidiaries of additional Indebtedness or Disqualified Stock in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or

discharge any Indebtedness incurred pursuant to this clause (16), not to exceed 5% of Revenues;

(17) the incurrence by the Borrower or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price, taxes or cost of design, construction, installation or improvement of property, plant or equipment (including software) of any solar technology fabrication or related manufacturing facilities;

(18) the incurrence of Indebtedness that is non-recourse to the Borrower or a Subsidiary of the Borrower (including Indebtedness containing customary recourse carve-outs, including those for environmental indemnities); provided that such Indebtedness shall not be permitted under this clause (18) if in connection therewith a personal recourse claim is established by judgment, decree or award by any court of competent jurisdiction or arbitrator of competent jurisdiction and the same shall remain undischarged for a period of thirty (30) consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken to attach or levy upon any assets of the Borrower or such Subsidiary of the Borrower to enforce any such judgment, decree or award;

(19) the incurrence of Indebtedness of a Subsidiary of the Borrower that is non-recourse to the Borrower or any Subsidiary of the Borrower (other than the Subsidiary incurring such Indebtedness) in relation to project assets and capital leases;

(20) the incurrence of Indebtedness arising from the endorsement of instruments for collection in the ordinary course of business;

(21) guarantees not for Indebtedness by the Borrower or any Subsidiary of the Borrower in the ordinary course of business as conducted from time to time of the Borrower or any Subsidiary;

(22) the incurrence of Indebtedness in favor of customers and suppliers of the Borrower and any of its Subsidiaries in connection with supply and purchase agreements in an aggregate principal amount not to exceed 10% of Revenues at any one time and any refinancings, refundings, renewals or extensions thereof (without shortening the maturity thereof or increasing the principal amount thereof);

(23) the incurrence of Indebtedness owed to bonding companies in connection with obligations under bonding contracts (however titled) entered into in the ordinary course of business, pursuant to which such bonding companies issue bonds or otherwise secure performance of the Borrower or any of the Borrower's Subsidiaries for the benefit of their customers and contract counterparties;

(24) the incurrence of Indebtedness of the Borrower owing to International Finance Corporation, in an aggregate principal amount not to exceed, at any time, US$75,000,000 (plus interest accruing thereon and costs, fees and expenses incurred in connection therewith);

(25) the incurrence of Indebtedness of the Borrower with a bank counterparty which is guarantied by the Export-Import Bank of any sovereign government or any agency thereof;

(26) the incurrence of Indebtedness in connection with the factoring of the accounts receivable of the Borrower or any Subsidiary in respect of rebates from any Governmental Authority or utility company program in the ordinary course of business, which Indebtedness shall not exceed an aggregate amount equal to the face amount of such accounts receivable plus any accrued interest thereon;

(27) the incurrence of Indebtedness consisting of guarantees by the Borrower or any Subsidiary of payment obligations of direct or indirect customers under purchase agreements, leases or power purchase agreements entered into by such customers with the Borrower or any Subsidiary or an authorized dealer of the Borrower, in an aggregate amount combined not to exceed 5% of Revenues;

(28) the incurrence of Indebtedness by the Borrower or any Subsidiary permitted by any agreements or under any lending commitments, including revolving credit facilities, in effect as of the Conversion Date, and any extensions and renewals thereof that do not increase the aggregate commitments thereof; and

(29) the incurrence by the Borrower or any of its Restricted Subsidiaries of intercompany Indebtedness with any Unrestricted Subsidiary.

The Borrower will not incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Borrower unless such Indebtedness is also contractually subordinated in right of payment to the Bonds and the Note on substantially identical terms; provided, however, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Borrower solely by virtue of being unsecured or by virtue of being secured on a junior priority basis.

For purposes of determining compliance with this subsection (D), in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (29) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Borrower will be permitted to classify such item of Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant. The accrual of interest or preferred stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant; provided, in each such case, that the amount thereof is included in Fixed Charges of the Borrower as accrued. For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Borrower or any Restricted Subsidiary may incur pursuant to this

covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(a) the Fair Market Value of such assets at the date of determination; and

(b) the amount of the Indebtedness of the other Person.

(E) Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries.

The Borrower will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction, other than any encumbrances or restrictions in effect on the Conversion Date, on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Borrower or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any indebtedness owed to the Borrower or any of its Restricted Subsidiaries;

(2) make loans or advances to the Borrower or any of its Restricted Subsidiaries; or

(3) sell, lease or transfer any of its properties or assets to the Borrower or any of its Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Existing Indebtedness as in effect on the Conversion Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; provided that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Conversion Date;

(2) this Loan Agreement, the Indenture, the Bonds or the Note;

(3) agreements governing other Indebtedness permitted to be incurred under the provisions of Section 9.2(D) and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; provided that the Board of Directors of the Borrower determines in good faith that the encumbrances and restrictions in the agreements governing such Indebtedness (or any such amendment, restatement, modification, renewal, supplement, refunding, replacement or refinancing) will not materially adversely affect the ability of the Borrower to make payments on Note when due;

(4) applicable law, rule, regulation or order;

(5) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Borrower or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; provided that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the indenture to be incurred;

(6) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;

(7) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (4) of the definition of Permitted Debt;

(8) any agreement for the sale or other disposition of a Restricted Subsidiary or all or substantially all of the assets thereof that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(9) Permitted Refinancing Indebtedness; provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(10) Permitted Liens;

(11) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment) entered into with the approval of the Borrower's Board of Directors, which limitation is applicable only to the assets that are the subject of such agreements;

(12) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(13) restrictions under customary provisions in partnership agreements, limited liability company organizational or governance documents, joint venture agreements,

corporate charters, stockholders' agreements and other similar agreements and documents on the transfer of ownership interests in such partnership, limited liability company, joint venture or similar Person.

(F) Merger, Consolidation or Sale of Assets. The Borrower will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Borrower is the surviving corporation), or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Borrower and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) the Borrower is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Borrower) or to which such sale, assignment, transfer, conveyance or other disposition has been made is an entity organized or existing under the laws of the United States, any state of the United States or the District of Columbia; and, if such entity is not a corporation, a co-obligor of the Note is a corporation organized or existing under any such laws;

(2) the Person formed by or surviving any such consolidation or merger (if other than the Borrower) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of the Borrower under the Note and this Loan Agreement pursuant to agreements necessary under the terms of the Note and this Loan Agreement;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) the Borrower or the Person formed by or surviving any such consolidation or merger (if other than the Borrower), or to which such sale, assignment, transfer, conveyance or other disposition has been made would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of Section 9.2(D); and

(5) if the Borrower is not the surviving Person in such consolidation or merger, the Borrower shall have delivered to the trustee an opinion of counsel from any relevant jurisdiction as necessary that no Taxes on income, including capital gains, other than Taxes to the extent that Additional Amounts are required to be paid with respect thereto, will be payable by holders of the Bonds and the Note under the laws of any jurisdiction where the Person formed by or surviving any such consolidation or merger is or becomes organized, resident or engaged in business for tax purposes relating to the acquisition, ownership or disposition of the Bonds and the Note, including the receipt of interest or principal thereon; provided that the holder does not use or hold, and for relevant tax purposes is not deemed to use or hold, the Bonds or the Note in carrying on a business in the jurisdiction where the Person formed by or surviving any such consolidation or merger is or becomes organized, resident or engaged in business for tax purposes.

In addition, the Borrower will not, directly or indirectly, lease all or substantially all of the properties and assets of it and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

This subparagraph (F) will not apply to any merger, consolidation, sale, assignment, transfer, conveyance, lease or other disposition of assets with, between or among the Borrower and its Restricted Subsidiaries or any member of the Total Group, and subclauses (3) and (4) above will not apply to any merger or consolidation of the Borrower with or into (i) one of its Restricted Subsidiaries for any purpose or (ii) an Affiliate solely for the purpose of reincorporating the Borrower in another jurisdiction.

(G) Transactions with Affiliates**(G) Transactions with Affiliates**. The Borrower will not, and will not permit any of its Restricted Subsidiaries to, make any payment to or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Borrower (each, an "Affiliate Transaction") involving aggregate payments or consideration in excess of 5.0% of Revenues, unless:

(1) the Affiliate Transaction is on terms that are no less favorable to the Borrower or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Borrower or such Restricted Subsidiary with an unrelated Person; and

(2) the Borrower delivers to the Trustee, with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of 5.0% of Revenues, a certificate of the Chief Executive Officer or Chief Financial Officer certifying that such Affiliate Transaction complies with this covenant.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) any employment agreement, employee compensation or benefit plan, officer or director indemnification agreement or any similar arrangement entered into by the Borrower or any of its Restricted Subsidiaries, and payments made pursuant thereto, in the ordinary course of business and payments pursuant thereto;

(2) transactions between or among the Borrower and/or its Restricted Subsidiaries;

(3) transactions with a Person (other than an Unrestricted Subsidiary of the Borrower) that is an Affiliate of the Borrower solely because the Borrower owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;

(4) payment of reasonable and customary fees and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of officers, directors, employees or consultants of the Borrower or any of its Subsidiaries;

(5) the grant of equity incentives or similar rights to employees and directors of the Borrower and its Subsidiaries pursuant to plans approved by the Board of Directors of the Borrower, a committee thereof comprised solely of independent directors, or an authorized delegate thereof;

(6) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership plans approved by the Borrower's Board of Directors, a

committee thereof comprised solely of independent directors, or an authorized delegate thereof;

(7) any issuance of Equity Interests (other than Disqualified Stock), of the Borrower to Affiliates of the Borrower, including, without limitation, any related recapitalization, reclassification of stock, reorganization or any stock split;

(8) Restricted Payments that do not violate the provisions of the Indenture or this Loan Agreement described in Section 9.2(C);

(9) transactions pursuant to any contract or agreement with the Borrower or any of the Restricted Subsidiaries in effect on the Conversion Date, as the same may be amended, modified or replaced from time to time so long as any such amendment, modification or replacement is not more disadvantageous to the holders of the Bonds in any material respect than the terms contained in such contract or agreement as in effect on the Conversion Date;

(10) the payment of customary management, consulting and advisory fees and related expenses in connection with transactions of the Borrower or its Subsidiaries or pursuant to any management, consulting, financial advisory, financing, underwriting or placement agreement or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which fees and expenses are made pursuant to arrangements approved by the Board of Directors of the Borrower or such Subsidiary in good faith;

(11) the provision by an Affiliate of commercial banking or lending services or other similar services on terms that are no less favorable to the Borrower or the relevant Restricted Subsidiary than those that would have been obtained by an unaffiliated party and that are approved in good faith by the Board of Directors of the Borrower;

(12) loans or advances to employees in the ordinary course of business in compliance with applicable law;

(13) any indemnity provided for the benefit of any officer, employee, or director of the Borrower or any Subsidiary

(14) transactions, loans or advances with Affiliates in the ordinary course of business at prices and on terms and conditions not less favorable to the Borrower or the relevant Restricted Subsidiary that could be obtained on an arm's-length basis from unrelated third parties.

(H) Quarterly Reporting Requirement. In addition to the continuing disclosure requirements of Section 5.10 hereof, the Borrower agrees to disclose the unaudited financial statements of the Borrower for each quarter within 45 days of the end of such quarter. The Borrower will file such financial statements with the Municipal Securities Rulemaking Board in the manner required by the Municipal Securities Rulemaking Board.

(I) Designation of Restricted and Unrestricted Subsidiaries. The Chief Executive Officer or the Chief Financial Officer of the Borrower may designate any Restricted Subsidiary of the Borrower to be an Unrestricted Subsidiary if that designation would not cause a Default; provided that in no event will the business currently operated by the Borrower be transferred to

or held by an Unrestricted Subsidiary. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Borrower and its Restricted Subsidiaries in the Subsidiary designated as Unrestricted will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under Section 9.2(C) or under one or more clauses of the definition of Permitted Investments, as determined by the Borrower. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

Any designation of a Restricted Subsidiary of the Borrower as an Unrestricted Subsidiary in accordance with the preceding paragraph will be evidenced by a certificate of the Chief Executive Officer or the Chief Financial Officer of the Borrower giving effect to such designation and certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption "- Restricted Payments". If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of this Loan Agreement and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Borrower as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Section 9.2(D) the Borrower will be in default of such covenant. The Chief Executive Officer or the Chief Financial Officer of the Borrower may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (a) such Indebtedness is permitted under Section 9.2(D), calculated on a pro forma basis as if such designation had occurred at the beginning of the applicable reference period; and (b) no Default or Event of Default would be in existence following such designation.

(J) Limitation on Sale and Leaseback Transactions. Other than any sale and leaseback transactions in effect on the Conversion Date, the Borrower will not, and will not permit any of its Restricted Subsidiaries to, enter into any sale and leaseback transaction; provided that the Borrower or any Restricted Subsidiary may enter into a sale and leaseback transaction if:

(1) (a) the Borrower or that Restricted Subsidiary, as applicable, could have (a) incurred Indebtedness in an amount equal to the Attributable Debt relating to such sale and leaseback transaction under the Fixed Charge Coverage Ratio test in the first paragraph of Section 9.2(D) and (b) incurred a Permitted Lien to secure such Indebtedness; and (b) the gross cash proceeds of that sale and leaseback transaction are at least equal to the Fair Market Value, as determined in good faith by the Chief Executive Officer or Chief Financial Officer of the Borrower and set forth in an officers' certificate, of the property that is the subject of that sale and leaseback transaction; or

(2) such sale and leaseback transaction is entered into in the ordinary course of business with respect to solar power systems.

(K) Repurchase at the Option of Holders. Upon a Change of Control, the Bonds must be rated the higher of (i) Ba2 or BB by Moody's or S&P, or (ii) the then current ratings of the Bonds prior to the effective date of the Change of Control, the acquiring entity must assume in writing all of the obligations of the Borrower hereunder and under the Bonds and is duly qualified to do business in California, and the requirements of Section 5.1(d)(1) hereof must be

met. If conditions above cannot be met, the Borrower will offer a tender for the bonds at a price of 101% as indicated in Section 9.2(L).

(L) Change of Control. If a Change of Control occurs, each holder of Bonds will have the right to require the Borrower to repurchase all or any part (in the authorized bond denominations) of that holder's Bonds pursuant to a Change of Control Offer on the terms set forth below. In order to make a "Change of Control Offer," the Borrower will offer a Change of Control Payment in cash equal to 101% of the aggregate principal amount of Bonds repurchased, plus accrued and unpaid interest, if any, on the Bonds repurchased to the date of purchase, subject to the rights of holders of Bonds on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, at the direction of the Borrower, the Trustee will mail a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase Bonds on the Change of Control Payment Date specified in the notice, which date will be no earlier than ten business days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the Indenture and described in such notice. The Borrower will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Bonds as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with this Section 9.2(L), the Borrower will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this subsection by virtue of such compliance.

On the Change of Control Payment Date, the Borrower will, to the extent lawful and in accordance with Section 3.11 of the Indenture:

(1) accept for payment all Bonds properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Trustee an amount equal to the Change of Control Payment in respect of all Bonds properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Bonds properly accepted together with an officers' certificate stating the aggregate principal amount of Bonds being purchased by the Borrower.

The Trustee will promptly mail to each holder of Bonds properly tendered the Change of Control Payment for such Bonds. The Borrower will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Borrower to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of this Loan Agreement are applicable. Except as described above with respect to a Change of Control, this Loan Agreement does not contain provisions that permit the holders of the Bonds to require that the Borrower repurchase or redeem the Bonds in the event of a takeover, recapitalization or similar transaction.

The Borrower will not be required to make a Change of Control Offer upon a Change of Control if (a) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Loan Agreement applicable to a Change of Control Offer made by the Borrower and purchases all notes properly tendered and

not withdrawn under the Change of Control Offer, or (b) notice of redemption has been given pursuant to the Indenture, unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

Section 9.2. Fixed Rate; Supplement to Indenture. Pursuant to Section 2.11(a)(iv) of the Indenture, the Remarketing Agent has determined that the Fixed Rate applicable to the Note and the Bonds will be 8.50%. The Borrower hereby consents to such Fixed Rate. In connection with the conversion of the Bonds to a fixed rate and in accordance with Section 9.6(b) of the Indenture, the Borrower hereby consents to the First Supplement to Indenture of Trust, dated as of June 1, 2011, between the Issuer and the Trustee.

Section 2. Effective Date of First Supplement. The First Supplement will take effect upon its execution and delivery.

Section 3. Execution in Counterparts. The First Supplement may be executed in several counterparts, each of which will be deemed an original, and all of which will constitute but one and the same instrument.

IN WITNESS WHEREOF, the Issuer and the Borrower have caused this First Supplement to be executed in their respective names and, if applicable, their respective corporate seals to be affixed hereto and attested by their authorized officers, all as of the date first above written.

CALIFORNIA ENTERPRISE
DEVELOPMENT AUTHORITY

By: /s/ Wayne Schell
Name: Wayne Schell
Title: Chair

SUNPOWER CORPORATION

By: /s/ Dennis V. Arriola
Name: Dennis V. Arriola
Title: Executive Vice President and
Chief Financial Officer

Exhibit 10.17

SUNPOWER CORPORATION

OUTSIDE DIRECTOR Compensation Policy

Effective August 6, 2009; amended December 11, 2009; amended April 1, 2010;
amended May 3, 2011; amended June 15, 2011

1. General. This Outside Director Compensation Policy (the "Policy"), which is adopted by the Board of Directors (the "Board") of SunPower Corporation, a Delaware corporation (the "Company"), sets forth the cash and equity-based compensation that shall be payable to eligible non-employee members of the Board who are not nominated representatives of Total S.A. or its corporate affiliates ("Outside Directors") commencing with the fiscal quarter ending October 2, 2011. This Policy is intended to replace and supersede in its entirety the compensation program applicable to Outside Directors that is in effect as of the effective date of this Policy, including, without limitation, the (i) cash compensation in effect as of the date hereof and (ii) the automatic equity-based awards that would otherwise in the future be granted to Outside Directors pursuant to Section 4(b) of the Second Amended and Restated SunPower Corporation 2005 Stock Incentive Plan, as amended from time to time (the "Stock Plan"). The cash and equity-based compensation described in this Policy shall be paid or be made, as applicable, automatically and without further action of the Board, to each Outside Director who may be eligible to receive such compensation. This Policy shall remain in effect until it is revised or rescinded by further action of the Board. The equity-based compensation shall consist of awards covering shares of Class A Common Stock of the Company, par value $0.001 per share (the "Common Stock"), that are granted pursuant to and subject to the provisions of the Stock Plan.

2. Annual Fees. Each Outside Director shall be eligible to receive an annual fee, payable on a quarterly basis as set forth below, for services performed for the Board in accordance with the following provisions (the "Annual Fees"):

(i) Outside Directors. Each Outside Director (other than Chairs of Board committees) shall be eligible to receive an Annual Fee for the Company's fiscal year equal to $400,000 for service on the Board.

(ii) Chairs. Each Outside Director who also serves as Chair of one or more Committees of the Board shall be eligible to receive an Annual Fee for the Company's fiscal year equal to $400,000 for service on the Board and for service as a Chair of a Committee. As used in this Policy, "Committee" refers any of the Audit Committee, the Compensation Committee, or the Nominating and Corporate Governance Committee of the Board.

(iii) Chairman. The Chairman of the Board, if he or she qualifies as an Outside Director, shall be eligible to receive an Annual Fee for the Company's fiscal year equal to $450,000 for service as the Chairman of the Board and for service, if any, as a Chair of a Committee.

(iv) Lead Director. In addition to any other applicable compensation provided under the foregoing provisions of this Section 2, an Outside Director who also serves as the "lead

director" appointed by the Board shall be eligible to receive an Annual Fee for the Company's fiscal year equal to $25,000 for service as the lead director.

Any Outside Director first appointed or elected to the Board shall, upon such appointment or election, be eligible to receive a prorated portion of the applicable Annual Fee based on the number of fiscal quarters (including partial fiscal quarters) that the Outside Director was in service.

3. Timing of Payment. The Annual Fees shall be paid in the form set forth in Section 4 hereof on a quarterly basis (i) with respect to the cash compensation described in Section 4(i), on or about the date of the quarterly Board meeting of the applicable fiscal quarter with respect to which the Outside Director is serving as a member of the Board and to which the compensation relates, and (ii) with respect to the Stock Units described in Section 4(ii), on the 11th day of the second month of the applicable fiscal quarter with respect to which the Outside Director is serving as a member of the Board and to which the compensation relates, or, if no publicly traded sale of Common Stock occurred on such date, on the first trading date immediately after such date during which a sale occurred.

4. Form of Payment of Annual Fees. The Annual Fees set forth in Section 2 hereof shall be paid to the eligible Outside Directors in the form of cash and Awards of Stock Units (as such terms are defined in the Stock Plan) in the following percentages:

(i) Cash: Twenty-five percent (25%) of the total Annual Fee payable to each eligible Outside Director other than the Chairman and other than pursuant to Section 2(iv) shall be paid in the form of cash. One-hundred percent (100%) of the Annual Fee payable to the lead director pursuant to Section 2(iv) shall be paid in cash. The cash payment shall be reduced by any taxes or social security contributions due on the income.

(ii) Stock Units: Seventy-five percent (75%) of the total Annual Fee payable to each eligible Outside Director other than the Chairman and other than pursuant to Section 2(iv) shall be paid in the form of an Award of Stock Units made under the Stock Plan. One-hundred percent (100%) of the total Annual Fee payable to the Chairman shall be paid in the form of an Award of Stock Units made under the Stock Plan.

(A) The number of Stock Units subject to the Award that shall be granted for the applicable fiscal quarter shall be calculated by dividing the amount payable for the quarter in the form of Stock Units by the Fair Market Value of a share of Common Stock, less any taxes or social security contributions due on the income, which may be withheld by the Company. "Fair Market Value" for purposes of this Section 4 shall mean the closing price of the Common Stock on the Nasdaq Global Select Market on the payment date set forth in Section 3, or if no publicly traded sale of Common Stock occurred on such date, the first trading date immediately after such date during which a sale occurred. Any fractional shares resulting from this calculation shall be paid in cash.

(B) The grant date for purpose of the Award of Stock Units shall be the date of payment.

(C) The Award of Stock Units shall be fully vested as of the date of grant.

(D) The Stock Units shall be settled as soon as practicably possible, but in any event within seven (7) days, following the date of grant (vesting date) in the form of shares of Common Stock.

(E) Other than Section 4(b) of the Stock Plan (which is superseded in its entirety by the terms of this Policy), all applicable terms of the Stock Plan apply to this Policy as if fully set forth herein, and all Awards of Stock Units under this Policy are subject in all respects to the terms of the Stock Plan.

(F) All share numbers set forth in this Policy shall be adjusted in accordance with the capitalization adjustment provision set forth in Section 11(a) of the Stock Plan.

(G) The grant of any Award under this Policy shall be made solely by and subject to the terms set forth in a written stock unit agreement in a form, consistent with the terms of the Stock Plan, approved by Board (or the Compensation Committee thereof) and duly executed by an executive officer of the Company.

5. Policy Subject to Amendment, Modification and Termination. This Policy may be amended, modified or terminated by the Board in the future at its sole discretion, provided that no such action that would materially and adversely impact the rights with respect to Annual Fees payable in the fiscal quarter during which the Outside Director is then performing services shall be effective without the consent of the affected Outside Director.

6. Effectiveness. This Policy shall become effective as of June 15, 2011.

EXHIBIT 31.1

CERTIFICATIONS

I, Thomas H. Werner, certify that:

1 I have reviewed this Quarterly Report on Form 10-Q of SunPower Corporation;

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5 The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2011

/S/ THOMAS H. WERNER

Thomas H. Werner
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATIONS

I, Dennis V. Arriola, certify that:

1 I have reviewed this Quarterly Report on Form 10-Q of SunPower Corporation;

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5 The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2011

/S/ DENNIS V. ARRIOLA

Dennis V. Arriola

Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of SunPower Corporation (the "Company") on Form 10-Q for the period ended July 3, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of Thomas H. Werner and Dennis V. Arriola certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge and belief:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 9, 2011

/S/ THOMAS H. WERNER

Thomas H. Werner
President and Chief Executive Officer
(Principal Executive Officer)

/S/ DENNIS V. ARRIOLA

Dennis V. Arriola
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure statement.